

MID-SEASON REVIEW OF THE 1985 BUDGET

COMMUNICATION

FROM

THE DIRECTOR, OFFICE OF MANAGEMENT
AND BUDGET

TRANSMITTING

THE SUPPLEMENTARY SUMMARY OF THE FISCAL YEAR 1985
BUDGET, PURSUANT TO 31 U.S.C. 1106(a)(1)

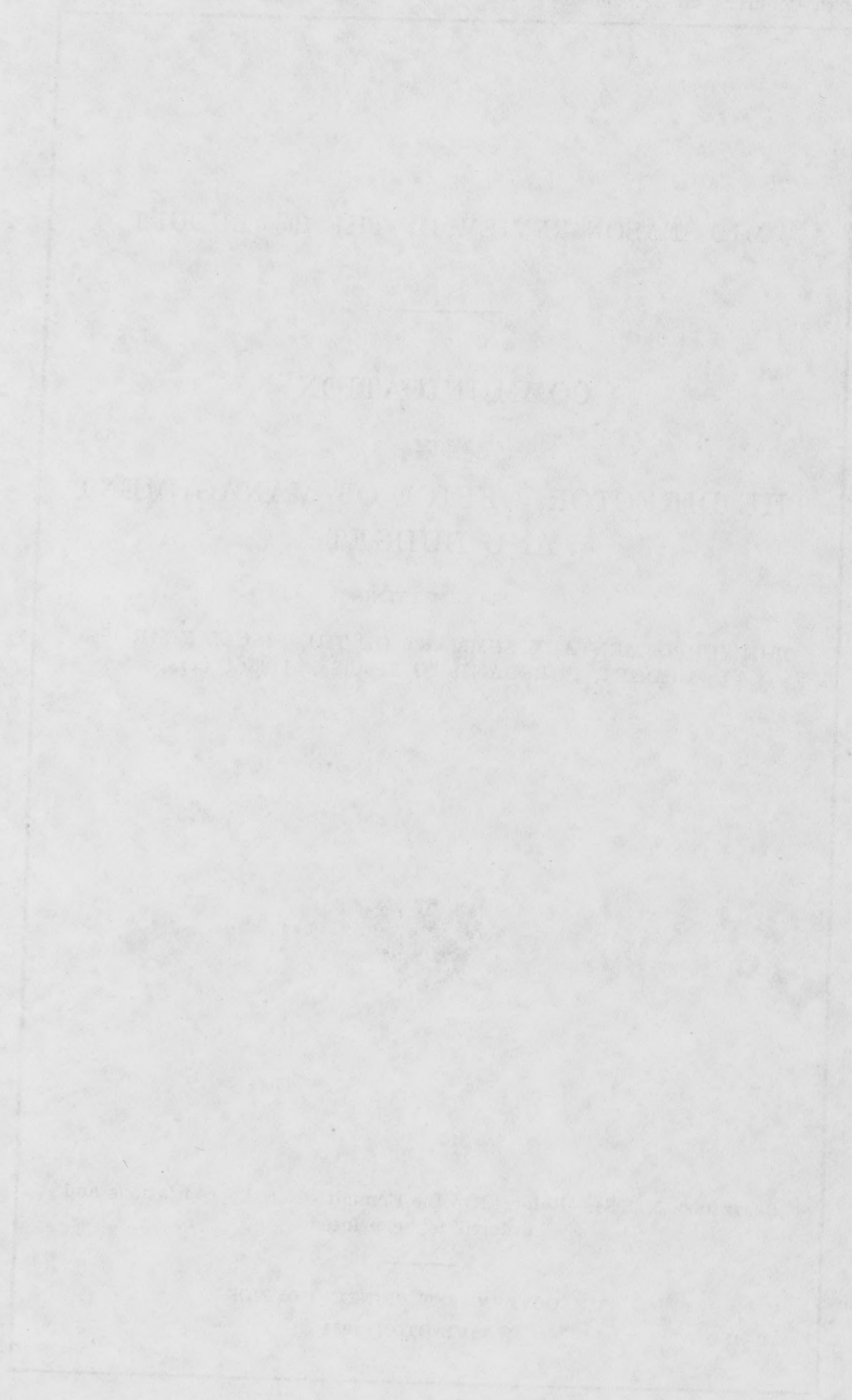


SEPTEMBER 5, 1984.—Referred to the Committee on Appropriations and
ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1984

31-011 O





EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

AUG 15 1984

Honorable Thomas P. O'Neill
Speaker of the House of
Representatives
Washington, D.C. 20515

Dear Mr. Speaker:

Section 201 of the Budget and Accounting Act of 1921, as amended, requires that the President transmit to the Congress a supplemental summary of the budget that was transmitted to the Congress in January of that year. The supplemental summary of the 1985 budget contains:

- revised budget summaries and projections for fiscal years 1984-1989;
- economic assumptions underlying the budget data;
- a summary of estimated outlays in each of the first four years after fiscal year 1985 that will be required under continuing programs that have a legal commitment for future years or are considered mandatory under existing law; and
- a summary of estimated outlays in future years from balances carried over from fiscal year 1985.

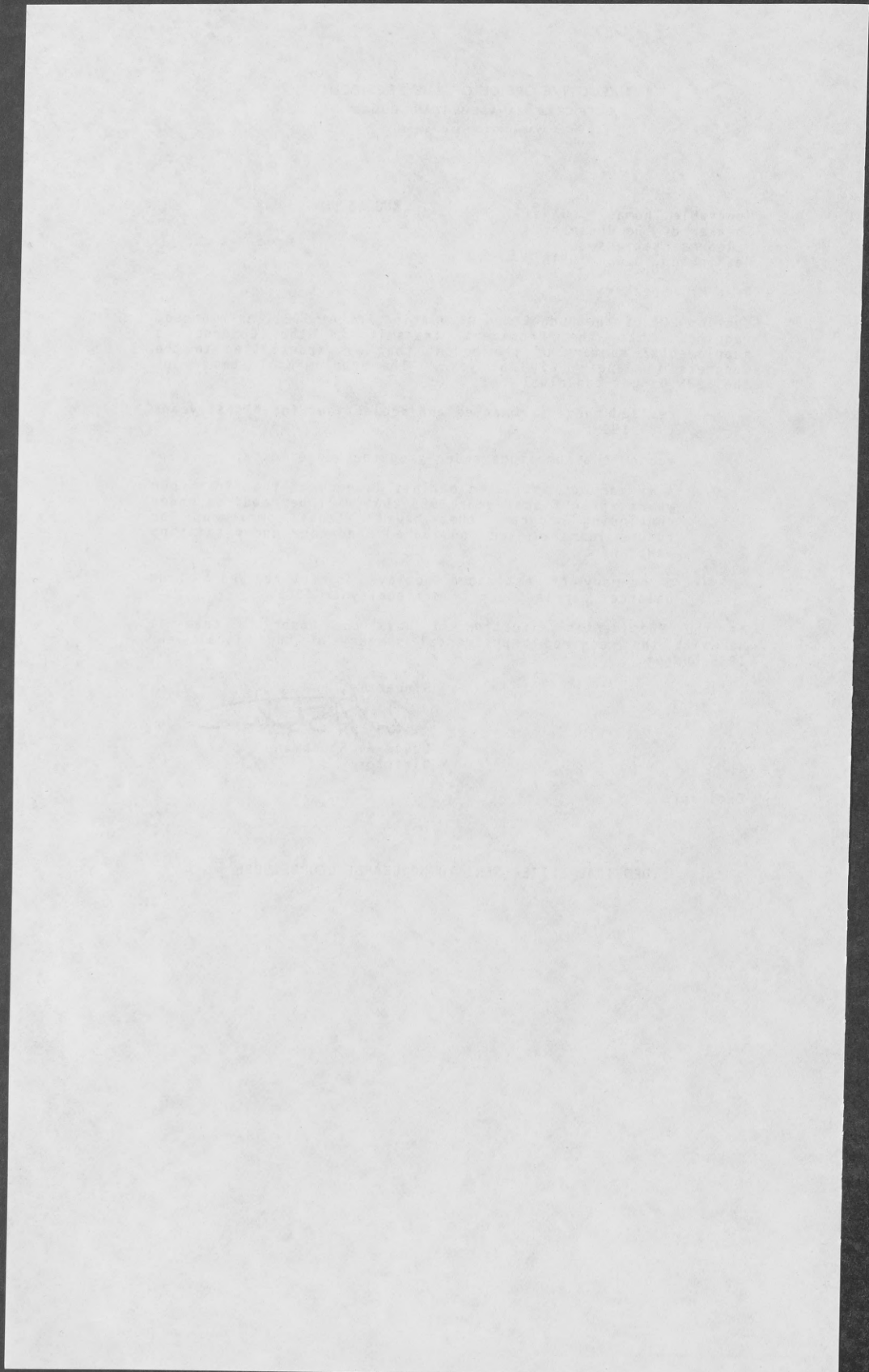
At the President's direction, I have the honor to transmit herewith the required supplemental summary of the fiscal year 1985 budget.

Sincerely,

David A. Stockman
Director

Enclosure

IDENTICAL LETTER SENT TO HONORABLE GEORGE BUSH





EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

FOR IMMEDIATE RELEASE
August 15, 1984

MID-SESSION REVIEW OF THE 1985 BUDGET

THE UNIVERSITY OF CHICAGO

DEPARTMENT OF THE HISTORY OF ARTS

CHICAGO, ILLINOIS

THE UNIVERSITY OF CHICAGO

CHICAGO, ILLINOIS

THE UNIVERSITY OF CHICAGO

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GENERAL NOTES

1. All years referred to are fiscal years, unless otherwise noted.
2. Details in the tables and text of this document may not add to the totals due to rounding.

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INTRODUCTION

The Mid-Session budget estimates reflect the robust economic recovery that has been underway for the past 21 months. The combination of continued low inflation and strong gains in output and employment that was evident at mid-year is unprecedented in previous post-war business cycles. These results reaffirm the wisdom and appropriateness of the fundamental redirection of national economic policy that began in January 1981.

Major indicators that the nation is firmly on the road to economic recovery and permanent prosperity include the following:

- o 105.4 million employed American workers in July 1984 represent a gain of 6.4 million jobs since November 1982 and 6.1 million more jobs than during 1980.
- o Average real disposable family income has increased at a 6.9 percent rate in 1984 to date compared to a 0.6 percent decline in calendar 1980.
- o For the 12 months ending in June 1984, the cost of living increase (CPI) was only 4.2 percent compared to 12.4 percent in the 12 months ending in December 1980.
- o The real gross national product (GNP) is now estimated to grow at 7.2 percent in 1984 compared to -0.3 percent in calendar 1980.
- o In the last 12 months, real business fixed investment has grown at a 23 percent rate compared to -2.4 percent in 1980.

These indicators are only illustrative of the constructive changes that have occurred in the U.S. economy as a result of the new tax, spending, monetary and regulatory policies initiated by the Reagan Administration. While the Federal budget deficit remains large and a continual challenge for fiscal policy in the years ahead, the strong economic performance now underway has helped substantially to check its size and underscores the critical importance of continued economic growth to the achievement of fiscal balance during the remainder of this decade.

THE BUDGET OUTLOOK

1984 BUDGET OUTLOOK

With policy action nearly complete and nine months of actual results, the 1984 deficit is now estimated to be \$174.3 billion. This represents a \$21.1 billion or 11 percent improvement from the deficit recorded for 1983. As shown in Table 1, this improvement reflects expected strong revenue growth of nearly 12 percent compared to a projected outlay increase of just over 6 percent. As a consequence of these trends, the deficit as a share of GNP in 1984 is expected to decline by more than a full percentage point.

Table 1.--1984 BUDGET TOTALS COMPARED TO 1983
(dollar amounts in billions)

	Actual 1983	Estimate 1984	Change	
			Amount	Percent
Receipts.....	600.6	670.7	70.1	11.7%
Outlays.....	796.0	845.0	49.0	6.2%
Deficit.....	195.4	174.3	-21.1	-10.8%
Off-budget outlays.....	12.4	13.0	0.7	5.5%
Total deficit.....	207.8	187.3	-20.4	-9.8%
<u>Deficit Share of GNP:</u>				
On-budget.....	6.1%	4.8%	---	---
Total deficit.....	6.4%	5.2%	---	---

1985-89 BUDGET PROJECTIONS

The Mid-Session budget estimates incorporate the effects of recent major policy actions and significant revisions of the near-term economic outlook. The former include a downward revision of the defense estimates consistent with the Rose Garden Downpayment Plan, enactment of the Deficit Reduction Act of 1984, and the effects of related legislative measures. The primary revisions in the economic forecast are a substantial increase in 1984 gross national product (GNP) based on actual results for the first two quarters and a further increase in interest rate assumptions for 1984-85.

The resulting budget projections through 1989 are displayed in Table 2. These figures indicate that under the conditions assumed in the estimates, the deficit will remain at about current levels through 1987 and then decline moderately in the outyears. These conditions include sustained real GNP growth of about 4 percent annually after 1984, continued low inflation in the 4 percent range throughout the period and a steady decline in both nominal and real interest rates in the years ahead, with the 91-day Treasury bill rate falling from 10.4 percent at present to 8 percent by the end of 1986 and 5 percent by 1989. The estimates also assume the further policy changes proposed in the Mid-Session including about \$37 billion in revenue increases and \$28 billion in outlay savings over 1985-1989.

Since the Mid-Session forecast assumes expansion of nominal GNP from \$3.7 trillion in 1984 to \$5.5 trillion by 1989, the deficit levels projected for the out-years comprise a steadily falling share of GNP. Nevertheless, by historical standards these figures remain high and indicate the magnitude of the fiscal challenge facing the nation next year.

Table 2.--1985-89 MID-SESSION BUDGET OUTLOOK

	1985	1986	1987	1988	1989
<u>Receipts:</u>	(in billions of dollars)				
Current services.....	758.0	826.1	897.7	985.8	1,058.7
Pending policy changes.....	5.8	5.7	6.3	7.9	11.1
Mid-Session policy.....	<u>763.8</u>	<u>831.8</u>	<u>904.1</u>	<u>993.7</u>	<u>1,069.8</u>
<u>Outlays:</u>					
Current services.....	930.4	1,000.3	1,082.5	1,161.8	1,220.4
Pending policy changes.....	0.3	-3.0	-5.8	-8.4	-11.4
Mid-Session policy.....	<u>930.6</u>	<u>997.3</u>	<u>1,076.6</u>	<u>1,153.4</u>	<u>1,209.1</u>
<u>Deficit:</u>					
Current services.....	172.4	174.2	184.8	176.0	161.7
Pending policy changes.....	-5.5	-8.7	-12.2	-16.3	-22.4
Mid-Session policy.....	<u>166.9</u>	<u>165.5</u>	<u>172.6</u>	<u>159.7</u>	<u>139.3</u>
<u>Shares of GNP:</u>					
<u>Receipts:</u>	(percent)				
Current services.....	19.2	19.3	19.3	19.6	19.5
Mid-Session policy.....	19.4	19.4	19.4	19.7	19.7
<u>Outlays:</u>					
Current services.....	23.6	23.3	23.3	23.1	22.5
Mid-Session policy.....	23.6	23.2	23.1	22.9	22.3
<u>Deficit:</u>					
Current services.....	4.4	4.1	4.0	3.5	3.0
Mid-Session policy.....	4.2	3.9	3.7	3.2	2.6

ALTERNATE LONG-RANGE BUDGET ESTIMATES

It has become readily evident in recent years that the long-range budget estimates required by the Congressional Budget and Impoundment Control Act of 1974 should be viewed with considerable caution. To be sure, the economic forecast, policy assumptions and technical factors that drive the budget estimates for the following 6 to 18 months can normally be specified within a small range of error. For example, despite the greater than expected strength of real output growth in the first half of 1984, the deficit estimates since last July for 1984 have been within 5 percent of the apparent \$174 billion outcome now estimated with less than two months remaining in the fiscal year.

<u>Budget Estimate</u>	<u>Months Before End of Fiscal Year</u>	<u>1984 Deficit</u>	<u>Difference From Mid-Session</u>
July 1983 Mid-Session.....	15	179.7	3.1%
FY 1985 Budget.....	9	183.7	5.3%
April Update.....	6	177.8	2.0%
August 1984 Mid-Session.....	3	174.3	---

However, when the economy is undergoing major, unanticipated change of direction as occurred during 1982 and 1983, even estimates made only 15 months before the end of the fiscal year have been dramatically in error:

<u>Budget Estimate</u>	<u>Months Before End of Fiscal Year</u>	<u>Deficit Estimate</u>	<u>Difference From Actual</u>
<u>Fiscal Year 1982:</u>			
July 1981 Mid-Session.....	15	42.5	-61.6%
FY 1983 Budget.....	9	98.6	-10.8%
April 1982 Update.....	6	100.5	-9.1%
July 1982 Mid-Session.....	3	108.9	-1.5%
Actual FY 1982.....	0	110.6	---
<u>Fiscal Year 1983:</u>			
July 1982 Mid-Session.....	15	115.0	-41.1%
FY 1984 Budget.....	9	207.7	6.3%
April 1983 Update.....	6	210.2	7.6%
July 1983 Mid-Session.....	3	209.8	7.4%
Actual FY 1983.....	0	195.4	---

Given the magnitudes of these short-range errors, the economic forecast uncertainties inherent in long-range budget estimates are readily apparent. The Mid-Session estimates for FY 1985-89 depend upon economic conditions over a span of 62 months into the future -- a period four times longer than those displayed in the table above. Since economic changes of the kind that wreaked havoc with the original 1982 and 1983 estimates cannot be anticipated in advance or be specified in terms of timing or magnitude, budget estimates must of necessity assume a stable long-range economic path without regard for the cyclical and external shocks (e.g. oil price shocks) that have episodically and abruptly altered the economic outlook in the past.

Moreover, the Mid-Session Review comes near the end of the Congressional session. Thus, it is essentially an accounting update reflecting current law and the effects of nearly completed legislative action on proposed policy changes presented in the President's January Budget. Given these constraints, it provides a measure of the future budget baseline, rather than a revised long-range fiscal plan to change it.

Of necessity then, the long-range Mid-Session estimates displayed above assume only minor additional policy changes in the case of the President's Budget, and none at all in the case of the current services estimates, over a five-year period. This necessary but artificial assumption may well give an exaggerated impression of the long-term budget outlook because it is highly improbable that the policy status quo will remain unaltered for five years. This is evident from a comparison of the January 1984 current services baseline with the Mid-Session current services estimates presented in this document. In just seven months of executive and legislative branch fiscal policy action, the FY 1985-89 deficit estimate has been reduced by nearly \$300 billion due to policy changes alone: over the five year period, tax law changes will generate \$100 billion in higher receipts, spending policy changes will reduce outlays by \$136 billion and the combination of policy changes will reduce debt service expenditures by an additional \$57 billion.

Finally, it should also be noted that both the Administration and the Federal Reserve, as well as the Congress in its recent Budget Resolutions, have strongly endorsed a monetary policy of low inflation for the remainder of the decade. The well established long-term trend relationships between low inflation and moderate growth of the monetary aggregates and nominal GNP thus impose a further constraint on the long-range budget estimates: to be consistent with inflation objectives, annual nominal GNP growth rates must generally trend significantly below double digit levels for the remainder of the 1980's.

The long-range Mid-Session budget estimates, then, are bound by three basic parameters: 1) an assumption that the direction of the economy will continue along an expansionary path without interruption by unanticipated shocks; 2) an assumption that policy variables affecting the rate of inflation, saving and investment, the incentive structure built into current tax legislation and other policies influencing the growth of and utilization of resources are essentially frozen at current levels for 5 years; and, 3) a nominal GNP growth path that is consistent with the stated anti-inflation goals of the Federal government, the Federal Reserve, and the American public.

Within these given parameters, variance in the long-range budget estimates is essentially a function of two issues: 1) the long-range growth potential of the U.S. economy during the remainder of the decade; and, 2) whether the current unprecedented high real interest rates will subside to normal levels in the years ahead.

The economic forecast underlying this Mid-Session Review assumes an historically normal rate of capacity expansion and that the real interest rate will decline to equilibrium level over the course of the decade as inflationary expectations gradually abate. However, other resolutions of these two central issues are possible, and even plausible, in the view of many.

The table below provides an estimate of the Mid-Session deficit path under alternate scenarios. The high growth path assumes that fundamental changes have occurred in the structure and performance of the U.S. economy, or could occur in response to current and future economic policies. The trend real output growth path is assumed to be 5.5 percent or 1.5 percentage points higher than the Mid-Session assumptions. Like the Mid-Session forecast, the high growth alternative assumes that real interest rates steadily subside until their historical levels are achieved by the end of the 1980's.

The low growth alternative assumes a 2.5 percent trend growth rate -- a level somewhat below the historical average trend. Finally, the high real rate alternative reflects Mid-Session real output growth assumptions, but is coupled with the continuance of real interest rates well above the historical equilibrium.

As is apparent from Table 3, the achievement of budget balance by the end of the decade would require major fiscal policy changes under either the low growth or high real interest rate scenarios. By contrast, the modest additional policy changes proposed in this Mid-Session Review would be sufficient to achieve nearly a balanced budget by 1989 under the high growth forecast.

Table 3.--DEFICIT ESTIMATES WITH MID-SESSION
AND ALTERNATE ECONOMIC FORECASTS

	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
	(in billions of dollars)					
<u>Budget Deficit Estimates</u>						
Mid-Session.....	174	167	165	173	160	139
High growth.....	174	157	135	118	75	21
Low growth.....	174	175	190	217	229	229
High real interest rates.....	174	167	167	182	184	180
<u>Economic Assumptions (Calendar Years)</u>						
<u>Real GNP Growth (4th over 4th)</u>			(percent)			
Mid-Session.....	6.5	4.0	4.0	4.0	4.0	3.7
High growth.....	6.9	5.5	5.5	5.5	5.5	5.3
Low growth.....	6.1	2.5	2.5	2.5	2.5	2.2
High real interest rates....	6.5	4.0	4.0	4.0	4.0	3.7
<u>Unemployment Rate (4th Q)</u>						
Mid-Session.....	6.8	6.5	6.3	6.1	5.8	5.7
High growth.....	6.7	5.8	4.8	4.0	2.9	2.0
Low growth.....	7.0	7.3	7.7	8.2	8.5	9.1
High real interest rates....	6.8	6.5	6.3	6.1	5.8	5.7
<u>GNP Deflator (4th over 4th)</u>						
Mid-Session.....	4.4	4.7	4.4	4.1	3.8	3.5
High growth.....	4.4	4.7	4.4	4.1	3.8	3.5
Low growth.....	4.8	6.2	5.9	5.6	5.3	5.0
High real interest rates....	4.4	4.7	4.4	4.1	3.8	3.5
<u>Interest Rates (91-Day Treasury Bills; 4th Q)</u>						
Mid-Session.....	9.6	9.1	8.1	6.7	5.5	5.0
High growth.....	9.6	9.1	8.1	6.7	5.5	5.0
Low growth.....	11.1	10.7	9.8	8.5	7.4	7.0
High real interest rates....	9.7	9.4	9.1	8.8	8.5	8.2

The table below compares these forecast alternatives to the record of business cycle expansions since World War II. Since these scenarios encompass an expansion period assumed to cover the 28 quarters between 1982:4 and 1989:4, changes in output and prices for prior cycles are displayed for the period between the cyclical trough and the end of the expansion or 28 quarters, whichever came earlier.

Table 4.--COMPARISON OF FORECAST ALTERNATIVES
AND PRIOR BUSINESS CYCLES

Cycle/Forecast	Duration (Quarters)	Cumulative Growth		Inflation 1/ Change
		Real GNP	Nominal GNP	
Forecast Alternatives				
Mid-Session.....	28	37.6%	82.3%	-6.5
High growth.....	28	48.2	96.2	-6.5
Low growth.....	28	27.4	82.3	-5.0
High real interest rates.....	28	37.6	82.3	-6.5
Historical				
1961-1968.....	28	40.5	65.6	3.4
1975-1980.....	20	24.3	73.9	1.0
1949-1953.....	15	28.0	43.6	2.2
1954-1957.....	13	13.2	24.0	3.7
1970-1974.....	12	16.7	36.5	3.3
1958-1960.....	8	10.2	14.7	-2.2
Historical average.....	16	22.1	43.1	1.9

1/ Difference between inflation rate at pre-cycle peak and inflation rate at end of expansion.

POLICY CHANGES IN THE MID-SESSION REVIEW ESTIMATES

Many of the measures to reduce expenditures or raise revenues recommended in the President's 1985 Budget last February have now been enacted within the framework of the Rose Garden Downpayment Plan. These measures include significant medicare cost savings, the farm target price freeze, delay of civilian and military retirement cost-of-living adjustments, selective Grace Commission management recommendations, civilian pay cuts, numerous smaller spending cuts and a variety of tax code improvements and loophole closing reforms. Additionally, national defense outlays have been reduced to the Rose Garden Downpayment Plan level.

All of these enacted changes or agreements are now reflected in the Mid-Session current services baseline. Table 5 indicates the impact of these changes relative to the Administration's February 1984 current services baseline. For the 1984-89 period, receipt increases total \$100.6 billion and outlay reductions \$196.4 billion. The total deficit reduction is \$297.1 billion.

Table 5.--ENACTED POLICY CHANGES 1/
(in billions of dollars)

	1984	1985	1986	1987	1988	1989	Total 1984-89
<u>Receipts:</u>							
1) Net interest exclusion.....	---	0.9	2.9	3.2	3.5	3.8	14.2
2) Alcohol excise tax...	---	0.1	0.3	0.5	0.5	0.5	2.0
3) Telephone tax extension.....	---	---	1.2	2.0	0.8	---	4.0
4) Income averaging.....	0.1	2.0	1.8	2.0	2.2	2.4	10.5
5) Tax exempt leasing...	0.3	0.8	1.6	2.8	4.7	6.7	16.9
6) Deferred rentals and payments.....	*	0.5	1.2	1.9	2.6	3.2	9.5
7) 18-year ACRS for real property.....	0.1	0.3	0.8	1.5	2.2	3.0	7.9
8) Finance leasing and ESOP's.....	0.1	0.7	1.6	2.3	2.0	1.0	7.8
9) Original issue discounts.....	0.2	0.4	0.4	0.4	0.4	0.2	2.0
10) Graduated rates and 20% corporate tax on preferences.....	0.1	0.5	0.6	0.7	0.8	0.9	3.6
11) Partnerships and trusts.....	*	0.4	1.1	1.6	1.8	1.9	6.8
12) Accounting and tax straddles.....	0.6	1.2	1.0	1.0	0.8	0.8	5.4
13) All other changes.....	-0.6	1.5	1.6	2.1	2.6	2.7	10.0
14) Total receipt increase.....	0.8	9.4	16.2	22.0	25.0	27.2	100.6

Table 5.--ENACTED POLICY CHANGES 1/ (Cont.)
(in billions of dollars)

	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>Total 1984-89</u>
<u>Outlays:</u>							
15) National defense.....	-3.8	-18.8	-28.5	-24.2	-18.5	-18.7	-112.5
16) Medicare.....	-0.1	-0.6	-1.4	-2.1	-2.4	-2.7	-9.2
17) Civilian agency pay..	*	-0.9	-1.0	-1.6	-1.4	-1.2	-6.0
18) Farm price supports..	0.4	0.6	-1.9	-1.6	-1.0	-1.2	-4.8
19) Military retirement..	-*	-1.8	-0.6	-0.7	-0.7	-0.7	-4.5
20) Civilian retirement..	-0.2	-0.4	-0.7	-0.7	-0.8	-0.8	-3.6
21) National Credit Union Administration.....	---	-0.8	-0.1	-0.1	-0.1	-0.1	-1.2
22) Other non-defense....	0.4	0.7	0.5	0.2	0.3	0.3	2.4
23) Debt service change..	---	-2.7	-7.9	-13.0	-15.8	-17.4	-56.8
24) Total outlay reduction.....	-3.4	-24.7	-41.7	-43.8	-40.3	-42.5	-196.4
<u>Deficit:</u>							
25) Total reduction.....	-4.2	-34.2	-57.9	-65.8	-65.2	-69.8	-297.1

* \$50 million or less.

1/ Changes measured from the Administration's February 1984 current services baseline. For national defense, the current services baseline was the FY 1984 Budget request (January 1983). The FY 1985 Budget contained a lower level for defense, which was reduced further in the Rose Garden Downpayment Plan.

Nevertheless, some deficit reduction measures proposed in the President's FY 1985 Budget were not accepted in the Rose Garden Downpayment framework and a small part of the downpayment plan relating to the non-defense appropriated accounts has not yet been enacted.

The proposed policy changes that are still pending reflect the remaining balance of these deficit reduction measures. While not large relative to the baseline deficit estimates, the remaining proposals indicate that still further opportunities for deficit reduction are available and pending before the Congress. Table 6 itemizes the major proposed revenue and outlay changes reflected in the Mid-Session policy estimates.

Table 6.--PENDING PROPOSED POLICY CHANGES
(in billions of dollars)

	1985	1986	1987	1988	1989	Total 1985-89
Receipts:						
Health Insurance exclusion cap.....	3.9	6.5	8.0	9.7	12.1	40.1
Increased employee retirement contributions.....	0.7	1.4	1.4	1.5	1.6	6.6
Automated examination system..	---	0.4	0.9	1.4	1.9	4.5
Tax incentives and policy initiatives.....	1.3	-2.5	-3.9	-4.7	-4.5	-14.4
Total receipt increases...	5.8	5.7	6.3	7.9	11.1	36.8
Outlays: 1/						
Civil service retirement reforms.....	---	-0.3	-0.7	-0.9	-1.0	-2.8
Food stamp & nutrition reforms.....	-0.1	-0.9	-0.8	-0.9	-1.0	-3.9
Housing assistance savings....	*	-0.3	-0.4	-0.5	-0.7	-2.0
GSL reforms.....	*	-0.2	-0.2	-0.2	-0.2	-0.8
Veterans GI Bill increase.....	0.1	0.2	0.1	0.1	0.1	0.7
Security assistance and international.....	3.6	4.5	4.6	4.3	4.1	21.1
Space, science and technology.	0.3	1.3	2.2	3.0	3.4	10.2
DOE weapons and related.....	0.7	1.2	2.0	2.9	3.2	9.9
User fees.....	-0.3	-0.3	-0.3	-0.3	-0.3	-1.5
Federal employees health.....	---	---	-0.2	-0.3	-0.4	-1.0
Domestic discretionary.....	-2.6	-5.4	-7.6	-9.5	-11.2	-36.2
All other.....	-0.6	-0.7	-0.8	-1.0	-1.2	-4.4
Total outlay savings.....	1.0	-1.0	-2.1	-3.3	-5.3	-10.7

* \$50 million or less.

1/ Differs from Table 2 due to exclusion of debt service savings attributable to policy action.

ECONOMIC ASSUMPTIONS

The economic assumptions underlying these budget estimates have been revised to reflect actual data for the first half of calendar year 1984. The revised assumptions appear in Table 7. They show a stronger economic recovery than anticipated in February, with higher interest rates and lower unemployment rates for 1984 and 1985. Real GNP growth and inflation for 1985 and subsequent years are unchanged from February.

The Administration now expects real GNP to grow 6.5 percent from the fourth quarter of 1983 to the fourth quarter of 1984, compared to the 5.0 percent assumed in April and 4.5 percent assumed in February. Unemployment is expected to decline to 6.8 percent by the end of 1984, and to 6.5 percent a year later.

Table 7.--ECONOMIC ASSUMPTIONS
(calendar years; dollar amounts in billions)

Major economic indicators:	Actual 1/ 1983	1984	1985	Estimates			
	1983	1984	1985	1986	1987	1988	1989
Gross national product (percent change, fourth quarter over fourth quarter):							
Current dollars:							
Constant (1972) dollars:	10.5	11.2	8.9	8.6	8.3	7.9	7.4
GNP deflator (percent change, fourth quarter over fourth quarter):	6.2	6.5	4.0	4.0	4.0	4.0	3.7
Consumer Price Index (percent change, fourth quarter over fourth quarter) 2/:	4.1	4.4	4.7	4.4	4.1	3.8	3.5
Unemployment rate (percent, fourth quarter) 3/:	2.9	3.8	4.7	4.4	4.1	3.8	3.5
Annual economic assumptions:	8.4	6.8	6.5	6.3	6.1	5.8	5.7
Gross national product:							
Current dollars:							
Amount:	3310	3691	4030	4380	4747	5130	5521
Constant (1972) dollars:	7.7	11.5	9.2	8.7	8.4	8.1	7.6
Amount:	1535	1646	1716	1785	1856	1930	2005
Percent change, year over year:	3.4	7.2	4.3	4.0	4.0	4.0	3.9
Incomes:							
Personal income:	2742	3031	3284	3546	3811	4084	4373
Wages and salaries:	1664	1808	1950	2109	2288	2483	2680
Corporate profits:	208	252	276	319	371	392	416
Price level:							
GNP deflator:							
Level (1972=100), annual average:	215.6	224.3	234.8	245.4	255.8	265.7	275.3
Percent change, year over year:	4.2	4.0	4.7	4.5	4.2	3.9	3.6
Consumer Price Index 2/:							
Level (1967=100), annual average:	297.4	307.8	322.1	336.6	350.7	364.5	377.6
Percent change, year over year:	3.0	3.5	4.6	4.5	4.2	3.9	3.6
Unemployment rates:							
Total, annual average 3/:	9.5	7.2	6.6	6.4	6.2	5.9	5.7
Insured, annual average 4/:	3.8	2.8	2.6	2.5	2.4	2.3	2.2
Interest rate, 91-day Treasury bills (percent) 5/:	8.6	9.5	9.3	8.5	7.2	5.9	5.1
Interest rate, 10-year Treasury notes (percent):	11.1	12.7	12.6	11.3	9.3	7.3	5.7

1/ GNP and income data for 1983 do not reflect National Income and Product Account revisions released on July 23, 1984.

2/ CPI for urban wage earners and clerical workers. Two versions of the CPI are published. The index shown here is that currently used, as required by law, to calculate automatic cost-of-living increases for indexed Federal programs. The manner in which this index measures housing costs will change significantly in 1985.

3/ Percent of total labor force, including armed forces residing in the U.S.

4/ This indicator measures unemployment under state regular unemployment insurance as a percentage of covered employment under that program. It does not include recipients of extended benefits under that program.

5/ Average rate on new issues within period, on a bank discount basis. These projections assume, by convention, that interest rates decline with the rate of inflation. They do not represent a forecast of interest rates.

IMPACT OF ECONOMIC AND POLICY REVISIONS ON
THE PRESIDENT'S FY 1985 BUDGET ESTIMATES

Table 8 displays the net impact of changes in policy and in economic and technical assumptions since February on the estimates initially presented for the President's FY 1985 Budget. Since many of the policy measures listed in Tables 5 and 6 were initially proposed in the February budget, the policy line below represents the net change to these February proposals stemming from Congressional action and other revisions. These figures do not represent change from the February current services baseline. In general, the defense savings and revenue increases proposed in February have been increased and domestic savings have been reduced somewhat. Taken as a whole, policy revisions to the February budget have reduced the deficit estimate by \$11 billion in 1985 and \$124 billion over 1985-89.

The largest non-policy change is the \$100 billion increase in estimated debt service outlays over 1984-1989 resulting from substantial upward revision of interest rate assumptions since the February forecast. These increases to the deficit estimate more than offset reduced deficit estimates attributable to other economic assumptions -- higher GNP, lower unemployment and lower inflation. In addition, technical reestimates on both the outlay and receipts sides have added a net \$37 billion to the deficit estimates for 1984-89.

Overall, the combined effect of changes in the economic assumptions has been to reduce modestly the deficit estimates for 1984-87 and increase them for 1988-89. For the six-year projection period as a whole, the cumulative deficit estimate has declined by \$18.9 billion since February.

Table 8.--CHANGES IN THE PRESIDENT'S FY 1985 BUDGET ESTIMATES
(in billions of dollars)

	1984	1985	1986	1987	1988	1989	Total 1984-89
<u>Receipts:</u>							
1985 Budget (Feb.).....	670.1	745.1	814.9	887.8	978.3	1,060.3	5,156.6
Revised economic assumptions.....	3.3	7.1	6.4	3.9	3.8	1.3	25.8
Technical reestimates..	-0.1	4.4	0.2	-2.3	-3.5	-7.3	-8.6
Net policy change.....	-2.6	7.2	10.4	14.6	15.2	15.4	60.2
Total change.....	0.6	18.6	16.9	16.2	15.4	9.5	77.2
1985 Mid-Session Budget.....	670.7	763.8	831.8	904.1	993.7	1,069.8	5,233.8
<u>Outlays:</u>							
1985 Budget (Feb.).....	853.8	925.5	992.1	1,068.3	1,130.3	1,183.7	6,153.6
Higher interest rates..	---	10.8	20.8	24.6	25.7	17.8	99.7
Other economic assumptions.....	-2.0	-5.0	-3.9	-0.9	2.7	4.2	-4.9
Technical reestimates..	-4.0	3.1	4.3	6.1	8.5	9.9	27.9
Net policy change.....	-2.7	-3.8	-16.0	-21.4	-13.9	-6.5	-64.3
Total change.....	-8.8	5.1	5.2	8.3	23.0	25.4	58.4
1985 Mid-Session Budget.....	845.0	930.6	997.3	1,076.6	1,153.4	1,209.1	6,212.0
<u>Deficit:</u>							
1985 Budget (Feb.).....	183.7	180.4	177.1	180.5	152.0	123.4	997.1
Interest rates/ economic.....	-5.3	-1.3	10.5	19.8	24.6	20.7	69.0
Technical reestimates..	-3.9	-1.3	4.1	8.4	12.0	17.2	36.5
Net policy change.....	-0.1	-11.0	-26.4	-36.0	-28.9	-21.9	-124.4
Total change.....	-9.4	-13.5	-11.7	-7.9	7.7	15.9	-18.9
1985 Mid-Session Budget.....	174.3	166.9	165.5	172.6	159.7	139.3	978.2

CHANGES IN THE BUDGET ESTIMATES SINCE JANUARY 1983

It is now clear that national economic recovery has been underway since shortly before the release of the January 1983 budget estimates 19 months ago. Since then, the budget estimates have experienced large, continuous and complex revisions. This is attributable to the extraordinary strength of the economic recovery, the parallel rise in real and nominal interest rates, major changes in policy assumptions since the January 1983 baseline, and substantial technical revision of receipt and outlay estimates.

This section is designed to sort out the multiple sources of change in the budget estimates in order to provide a clear and systematic bridge between the January 1983 current services estimates and the projections contained in this report. The analysis focuses on fiscal years 1984-86 because the passage of 19 months has substantially reduced the range of uncertainty inherent in the budget projections for these years.

Specifically, legislative action on major budget components for both 1984 and 1985 is now nearly complete or has reached substantial agreement. While it is anticipated that a major long-term deficit reduction plan will be proposed in the 1986 Budget -- the substantial time lags in realizing cash savings in the budget mean that the first year effects (fiscal year 1986) on the budget estimates will be modest relative to the out-year changes. Thus, compared to the outlook 19 months ago, policy assumptions are likely to experience only limited additional change over 1984-86.

Likewise, the economic variables driving the budget estimates for 1984-86 have come into sharper view. Given the four- to twelve-month lag between changes in economic assumptions and fully realized budget effects, little further change is expected for 1984 and the first part of 1985. The major remaining uncertainty for the 1985-86 budget estimates concerns economic performance during the next 12 calendar months. While economic forecasters are as prone to differences and errors as ever, a broad current consensus consistent with the Mid-Session forecast through mid-1985 suggests that the scope for additional major revisions is limited. Similar considerations apply to further major technical revisions of the budget estimates for the period under review.

Thus, the 1984-86 Mid-Session budget estimates, particularly in their current services form, provide a dual purpose benchmark. In the first instance they provide a measure of the impact that stronger than forecast recovery, major policy actions, and unanticipated technical revisions have had on the path of the budget estimates over the last 19 months. Secondly, they provide a reasonably solid measure of the initial magnitude of the budget challenge that will face the Administration and Congress next year as they attempt to fashion a long-term plan for restoring fiscal balance.

SUMMARY OF CHANGES IN THE BUDGET DEFICIT ESTIMATES:
JANUARY 1983 CURRENT SERVICES VS. 1985 MID-SESSION BUDGET POLICY

The Mid-Session economic forecast reflects substantial revisions from that used to estimate the January 1983 current services baseline. Due to the surging recovery, fiscal year 1984 real GNP growth is now projected to be 7.1 percent compared to the 3.7 percent assumed 19 months ago; 1984 nominal GNP is \$107 billion higher; the corporate profits estimate is up by 36 percent; the rise in the 1984 GNP deflator is projected at 3.9 percent compared to 5.3 percent in the original forecast; and the average unemployment rate for fiscal year 1984 is now estimated at 7.7 percent compared to 10.2 percent in the January 1983 forecast. In the opposite direction in terms of budget impact, the fiscal year 1984 91-day Treasury bill and long-term bond rates are expected to average 9.3 percent and 12.4 percent, respectively, compared to assumptions of 8.0 percent and 9.9 percent in January 1983.

At the same time, major technical reestimates of tax receipts, OCS offsetting receipts, debt service costs, and numerous smaller budgetary items have increased estimated deficit levels considerably.

The precise magnitudes of budgetary change associated with these economic and technical assumption revisions are explained in the six sections below. In particular, the degree to which many of the changes have had offsetting effects on the budget estimates or have not conformed to prior patterns is highlighted.

Table 9 provides a summary measure of net effects on the deficit estimates of all changes in economic assumptions between the January 1983 current services baseline and the 1985 Mid-Session Budget estimates. On balance, revised economic assumptions have significantly lowered the deficit estimates, with revisions totaling \$38 billion in 1984 and \$113 billion over the three-year period. However, because technical reestimates have also been large and in the opposite direction, the downward revision of deficit estimates due to economic and technical factors combined is modest.

Specifically, the large and rising current services baseline deficits projected in January 1983 have been reduced by \$25 billion or 11 percent in 1984 and by \$48 billion or 6 percent over the three-year period as a result of revised economic and technical assumptions. Excluding changes in policy assumptions over the last 20 months, the Mid-Session deficit estimates would still average about 6 percent of GNP for 1984-86.

Table 9.--SUMMARY OF CHANGES IN THE BUDGET DEFICIT ESTIMATES
(dollar amounts in billions)

	1984	1985	1986	Total 1984-86
January 1983 current services deficit.....	231.5	253.1	270.8	755.4
<u>Economic and Technical Assumption Changes:</u>				
Economic assumptions.....	-37.8	-43.4	-31.6	-112.8
Technical reestimates.....	13.3	25.3	26.0	64.6
Subtotal, economic and technical	-24.5	-18.1	-5.6	-48.2
Revised deficit with January 1983 policy base.....	207.0	235.0	265.2	707.2
<u>Policy Changes:</u>				
Tax receipt increase.....	-4.2	-23.0	-30.3	-57.5
Defense outlays.....	-20.1	-26.5	-38.0	-84.6
Non-defense outlays.....	-7.9	-11.8	-15.6	-35.3
Debt service savings due to policy.....	-0.5	-6.9	-15.8	-23.2
Subtotal, policy changes.....	-32.7	-68.2	-99.7	-200.6
Total change, deficit.....	-57.2	-86.2	-105.3	-248.7
1985 Mid-Session Budget deficit.....	174.3	166.9	165.5	506.7
<u>Memo Item: Deficit Share of GNP:</u>				
January 1983 current services baseline 1/.....	6.6%	6.6%	6.5%	---
Revised deficit with January 1983 policy base 2/.....	5.8%	6.0%	6.2%	---
1985 Mid-Session Budget deficit 2/.	4.8%	4.2%	3.9%	---

1/ Compared to January 1983 forecast of GNP.

2/ Compared to the 1985 Mid-Session Budget forecast of GNP.

Table 9 also summarizes the major differences in policy assumptions between the January 1983 current services baseline and the 1985 Mid-Session Budget. The \$201 billion in three-year deficit reductions attributable to policy revisions is accounted for by actions in five major areas subsequent to the January 1983 current services estimates:

- o enactment of the Bipartisan Social Security and Railroad Retirement Solvency bills during 1983;

- o major Administration-proposed and additional Congressionally-imposed reductions in the five-year defense plan used to project the current services baseline 19 months ago;
- o enactment of the Deficit Reduction Act of 1984 and related measures over the past several months;
- o implementation of the Payment-In-Kind (PIK) program/target price freeze, general revenue sharing and community development authorization caps, and other modest steps toward spending restraint over the past 20 months;
- o still-pending Administration policy proposals to raise \$12 billion in additional revenue and reduce outlays by \$3 billion over 1985-86.

The table makes clear that these policy changes (largely enacted) from the January 1983 baseline assumptions have had a major effect on the deficit estimates and have been the preponderant source of downward revision. Revised policy assumptions have lowered the deficit estimate by 14 percent in 1984 and by nearly 27 percent over the three-year period. They amount to 80 percent of the 1984-86 net change in the deficit estimate.

I. Changes in Receipt Estimates

Over the last 20 months, receipt estimates have experienced continuous, substantial revisions due to all three variables affecting the budget estimates -- economic forecasts, policy assumptions and technical factors. The resulting net increase in 1984-86 receipt totals, however, has been modest, with Mid-Session receipts now estimated to be 3 percent higher in 1984 and 6 percent higher over the three-year period than the January 1983 baseline. These relatively modest net changes in total receipts, therefore, obscure much larger changes in individual policy, economic, and technical assumptions and the receipts estimates associated with them.

The largest changes in assumptions have occurred in the economic forecast. Table 10 provides major components of the January 1983 and Mid-Session economic forecasts and highlights significant differences between the two scenarios.

Table 10.--ECONOMIC FORECAST CHANGES AFFECTING RECEIPT ESTIMATES
(fiscal years; dollar amounts in billions)

	1984	1985	1986	Total 1984-86
<u>Real GNP Level</u>				
January 1983.....	1,539.4	1,601.0	1,665.0	4,805.4
1985 Mid-Session Budget.....	<u>1,620.3</u>	<u>1,699.3</u>	<u>1,767.3</u>	<u>5,086.9</u>
% Increase.....	5.3%	6.1%	6.1%	5.9%
<u>Price Level (GNP Deflator)</u>				
January 1983.....	226.63	237.77	248.92	237.77 1/
1985 Mid-Session Budget.....	<u>221.57</u>	<u>231.65</u>	<u>242.27</u>	<u>231.83 1/</u>
% Increase.....	-2.2%	-2.6%	-2.7%	-2.5%
<u>Nominal GNP Level</u>				
January 1983.....	3,488.7	3,806.7	4,144.6	11,440.0
1985 Mid-Session Budget.....	<u>3,595.5</u>	<u>3,944.8</u>	<u>4,290.9</u>	<u>11,831.2</u>
% Increase.....	3.1%	3.6%	3.5%	3.4%
<u>Corporate Economic Profits Level</u>				
January 1983.....	208.0	264.6	320.5	793.1
1985 Mid-Session Budget.....	<u>282.8</u>	<u>321.6</u>	<u>360.7</u>	<u>965.1</u>
% Increase.....	36.0%	21.5%	12.5%	21.7%
<u>Corporate Taxable Profits Level</u>				
January 1983.....	213.1	258.5	300.4	772.0
1985 Mid-Session Budget.....	<u>242.5</u>	<u>269.9</u>	<u>307.0</u>	<u>819.4</u>
% Increase.....	13.8%	4.4%	2.2%	6.1%
<u>Corporate Economic Profits Share of GNP</u>				
January 1983.....	6.0%	7.0%	7.7%	6.9%
1985 Mid-Session Budget.....	<u>7.9%</u>	<u>8.2%</u>	<u>8.4%</u>	<u>8.2%</u>
Difference.....	1.9%	1.2%	0.7%	1.3%
<u>Corporate Taxable Profits Share of GNP</u>				
January 1983.....	6.1%	6.8%	7.2%	6.7%
1985 Mid-Session Budget.....	<u>6.7%</u>	<u>6.8%</u>	<u>7.2%</u>	<u>6.9%</u>
Difference.....	0.6%	*	*	0.2%
<u>Wage and Salary Income</u>				
January 1983.....	1,744.3	1,884.2	2,047.4	5,675.9
1985 Mid-Session Budget.....	<u>1,772.8</u>	<u>1,913.0</u>	<u>2,067.1</u>	<u>5,752.9</u>
% Increase.....	1.6%	1.5%	1.0%	1.4%

Table 10.--ECONOMIC FORECAST CHANGES AFFECTING RECEIPT ESTIMATES (Cont.)
(fiscal years; dollar amounts in billions)

	1984	1985	1986	Total 1984-86
<u>Other Non-Corporate National Income</u>				
January 1983.....	812.7	885.7	946.6	2,645.0
1985 Mid-Session Budget.....	851.3	957.3	1,042.7	2,851.3
% Increase.....	4.7%	8.1%	10.2%	7.8%
<u>Oil Prices</u>				
January 1983.....	31.57	33.25	35.16	33.33 1/
1985 Mid-Session Budget.....	28.76	28.96	29.19	28.97 1/
% Increase.....	-8.9%	-12.9%	-17.0%	-13.1%

* .05% or less.

1/ The average for 1984-86.

The two most dramatic upward revisions are for real GNP and corporate economic income. In both cases, however, the resulting budget impacts have not been as strong as might be implied by simple extrapolation from the differences.

In the case of real GNP, the Mid-Session forecast represents a real output level that is 5.3 percent higher in 1984 and 6.1 percent higher by 1986 than assumed in January 1983. However, higher real output compared to a previous forecast path affects the receipts estimates with varying magnitudes depending upon how it is generated. If higher real output occurs, accompanied by lower inflation and with no change in the nominal GNP level, receipts increases will be minimal. The probable effect under this revision scenario at the current stage of the business cycle would be a higher profits share of GNP with somewhat higher receipts due to the higher marginal rate on corporate income. It is also probable, but not certain, due to exogenous influences, that oil prices would be lower and windfall profit tax receipts reduced. At the other extreme, if the increase in real output over the prior forecast path is entirely additive to the prior nominal GNP level with the inflation path showing no change, the receipts increase will be maximized as wages and salaries and other income components reflect the full gain in real and nominal output.

As is evident from the table, the forecast differences between January 1983 and the Mid-Session represent the midpoint between these two extremes. The upward revision of nominal GNP has been only about half as large proportionately as the upward revision of real output: stated differently, about half of the real GNP mark-up between the two forecasts was offset by a markdown of inflation, with some associated reallocation of income

shares. The remainder was in the form of a high receipt-yielding mark-up of nominal GNP. Thus, the striking upward revision in real output relative to January 1983 has not resulted in commensurate receipts gains because nearly half of the real output gain was realized in the form of lower price levels than previously assumed.

In the case of corporate profits, the far stronger recovery than forecast in January 1983 is reflected in two measures: Mid-Session corporate economic profits are now estimated to be \$75 billion or 36 percent higher in 1984 and \$172 billion or 22 percent higher over the three-year period than in the January 1983 forecast. Since this huge mark-up far exceeds the mark-up in nominal GNP, the corporate economic profit share is now projected to be 8 percent rather than 6 percent of GNP in 1984 and to average 8.2 percent over the period -- a share nearly 20 percent higher than assumed in the earlier forecast.

However, as the table also makes clear, this massive gain in corporate economic profits has not been translated into proportional gains in taxable income and receipts. On a three-year basis, the \$47 billion mark-up of taxable profits is only one-fourth of the \$172 billion mark-up of economic profits. The differences are largely explained by 3 factors: (1) stronger investment than anticipated in 1983 has led to higher ACRS depreciation deductions, which lowers taxable profits; (2) lower inflation than anticipated has lowered economic depreciation, which tends to raise corporate economic profits but not taxable profits; and (3) lower inflation has reduced inventory profits, which reduces corporate taxable profits but not economic profits. In short, the spectacular rise in corporate economic profits levels and GNP share compared to the January 1983 forecast has resulted in only modest receipts gains compared to levels estimated in January 1983:

MID-SESSION CHANGES IN CORPORATE ECONOMIC INCOME,
TAXABLE INCOME, AND RECEIPTS COMPARED TO JANUARY 1983 ESTIMATES
(fiscal years; in billions of dollars)

Higher	1984	1985	1986	Total 1984-86
Corporate economic profits.....	74.8	57.0	40.2	172.0
Corporate taxable profits.....	29.4	11.4	6.6	47.4
Corporate receipts due to economic assumption changes...	7.3	6.4	2.8	16.5

In the case of the other national income components, there have been similarly asymmetrical revisions. While real output has been marked-up an average of 5.9 percent per year over 1984-86 and nominal GNP by 3.4 percent, wage and salary income under Mid-Session assumptions is only 1.6 percent higher in 1984 and 1.4 percent higher over the three-year period than in the January 1983 forecast. On the other hand, as displayed in Table 14 below, civilian employment levels have been revised upwards by an average of 2.6 percent each year. Since the employment revisions exceed the aggregate wage and salary revisions, the implicit average marginal tax rate on personal income is lower in the Mid-Session forecast than in the January 1983 forecast. This also limits the revenue gain effect of higher output and incomes. Other non-corporate components of national income -- rents, interest, proprietors' income and non-wage and salary personal income -- have been revised upward by 4.7 percent in 1984 and 7.8 percent over the period. The budget effect of the resulting shift in income shares is to reduce receipts slightly because the marginal total receipt yield on these components of national income tends to be lower than for wages and salaries.

Finally, oil price assumptions have been revised downward by 9 to 17 percent over the period resulting in a three-year receipt decline of nearly \$15 billion. This is partially offset by higher projected Federal Reserve earnings deposits to the Treasury anticipated as a consequence of the higher Mid-Session interest rates.

The overall net receipts gain attributable to economic forecast revisions since January 1983 is \$83.6 billion or 3.9 percent over 1984-86. This means that receipts gains have been only slightly more than proportional to the mark-up of nominal GNP for the period (3.4 percent). The tendency of some observers to assume that the huge mark-up in real GNP (5.9% over 1984-86) since the January 1983 forecast has resulted in a commensurate upward revision of receipts fails to account for the complex interactive effects of the forecast changes described above. Most importantly, this view fails to note that nearly half of the output gain has been absorbed in lower price levels rather than higher nominal GNP, and the upward revision of corporate economic profits levels has not been matched by equivalent revisions of taxable profits.

The table below illustrates these points quite vividly. Had the entire mark-up in real output resulted in an equivalent mark-up of nominal GNP with no general price level changes or oil price revisions from the earlier forecast, and had income shares, corporate economic and taxable profits relationships and the marginal tax rate on wages and salaries remained unchanged, the receipts gain would have been \$157.2 billion over 1984-86 or nearly 90 percent more than the actual revision of \$83.6 billion shown in Table 11.

Table 11.--RECEIPT EFFECT OF ECONOMIC ASSUMPTION CHANGES
(in billions of dollars)

	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>Total 1984-86</u>
<u>Change in Receipts With:</u>				
No price level or taxable income share changes from Jan. 1983 forecast.....	42.6	54.7	59.9	157.2
Mid-Session price level and taxable income share changes from Jan. 1983 forecast.....	<u>21.7</u>	<u>30.6</u>	<u>31.3</u>	<u>83.6</u>
Difference.....	-20.9	-24.1	-28.6	-73.6

Table 12 displays the major technical reestimates of receipts since the January 1983 baseline. The most important of these is the \$10 billion upward revision of receipt losses attributable to the Individual Retirement Account provisions of the Economic Recovery Tax Act of 1981. This adjustment brings the estimated receipt loss for 1984-86 to \$22 billion -- an increase of about 85 percent from the original estimates. Downward receipt revisions for tax-exempt leasing, unreported pension income, cafeteria plans and numerous smaller items comprise the balance of the \$17.8 billion downward revision over the three-year period.

These downward technical reestimates offset about one-fifth of the receipt gain attributable to revised economic assumptions for 1984-86. Absent any policy revisions since January 1983, receipt growth would average about 10 percent over the three-year period.

However, the cumulative effect of tax law changes to the January 1983 current services baseline is considerable. As is shown in Table 12, enacted measures -- the Railroad and Social Security Solvency bills, the repeal of withholding on interest and dividends, and the Deficit Reduction Act -- raise receipts by \$46 billion over 1984-86, with another \$11.5 billion attributable to pending measures in the Mid-Session budget. With the inclusion of policy changes, the average growth rate for receipts rises to 11.5 percent over the three-year period.

Overall, the net increase in receipts estimates from all sources is \$22 billion in 1984 and \$123 billion over three-years. This 5.8 percent upward revision of receipts estimates for 1984-86 accounts for about 50 percent of the reduction in the deficit estimate between the January 1983 baseline and the 1985 Mid-Session Budget.

Table 12.--RECEIPT ESTIMATES CHANGE: JANUARY 1983 BASELINE
VS. 1985 MID-SESSION BUDGET
(dollar amounts in billions)

	1984	1985	1986	Total 1984-86
January 1983 current services baseline.....	648.8	713.3	780.9	2,143.0
<u>Economic Assumption Changes:</u>				
Higher nominal GNP and revised income shares.....	24.1	33.4	34.7	92.2
Lower oil prices/windfall profit tax receipts.....	-3.5	-5.1	-6.2	-14.8
Increased Federal Reserve deposits of earnings.....	1.1	2.3	2.8	6.2
Subtotal, economic.....	21.7	30.6	31.3	83.6
<u>Technical Reestimates:</u>				
Tax-exempt leasing.....	-0.1	-0.3	-0.7	-1.1
Unreported pension income.....	-0.9	-0.5	-0.7	-2.1
Individual Retirement Accounts.....	-3.0	-3.3	-3.7	-10.0
Other (Net).....	*	1.0	-5.6	-4.6
Subtotal, technical.....	-4.0	-3.1	-10.7	-17.8
<u>Policy Changes from January 1983 Baseline:</u>				
Bipartisan Social Security bill....	5.8	9.4	9.2	24.4
Railroad Retirement Solvency bill..	0.2	0.7	1.1	2.0
Interest and dividend withholding repeal.....	-2.6	-2.4	-2.1	-7.1
Deficit Reduction Act.....	0.8	9.4	16.4 1/	26.7
Net enacted changes.....	4.2	17.2	24.6	46.0
Health insurance cap.....	---	3.9	6.5	10.3
Federal employee contributions.....	---	0.7	1.4	2.0
Other Mid-Session proposals.....	*	1.3	-2.1	-0.9
Pending Mid-Session proposals....	*	5.8	5.7	11.5
Subtotal, policy changes.....	4.2	23.0	30.3	57.5
<u>Receipt Totals and Change:</u>				
Total change from Jan. 1983.....	21.9	50.5	50.9	123.3
Percent change.....	3.4%	7.1%	6.5%	5.8%
1985 Mid-Session Budget receipts...	670.7	763.8	831.8	2,266.3
<u>Memo: Share of GNP:</u>				
Jan. 1983 current services.....	18.6%	18.7%	18.8%	18.7%
1985 Mid-Session Budget.....	18.6%	19.4%	19.4%	19.1%
* \$50 million or less.				
1/ Includes \$0.2 billion for superfund extension.				

II. National Defense

The January 1983 current services baseline for national defense was based on the President's request of the prior year (FY 1983) and the five-year defense plan approved consistent with it during the FY 1983 defense budget process.

As is shown in Table 13, the "topline" outlay level for national defense has been subsequently revised downward in four separate steps. The President's FY 1984 Budget request lowered defense outlays from the January 1983 baseline by \$25 billion over 1984-86 to reflect projected management economies, a pay freeze and reduced costs for some procurement elements. Additional Congressional reductions in the 1984 appropriations bill, enactment delays, funding mix changes, and repricings have resulted in an additional 1984 outlay reduction of \$11.7 billion.

During the past seven months, 1985-86 outlays have been reduced further relative to the January 1983 baseline. The President's FY 1985 Budget proposed two-year outlay reductions of \$26 billion. The 1985 Mid-Session Budget incorporates a further \$22 billion in 1985-86 outlay savings consistent with the Rose Garden Downpayment Plan.

It should be noted that these "topline" reductions represent a mixture of program reductions, stretch-outs and reconfigurations, as well as purely pricing (e.g. fuel costs) and technical estimating changes. However, since defense funding is subject to annual discretionary appropriations and both the Administration and Congress have tended to formulate defense funding policy based on a "topline" concept, the pricing, technical and program factors accounting for these outlay revisions cannot be readily separated. This is especially the case because both Administration and Congressional "real growth" targets have changed from year to year and are based on different deflator concepts. Thus, all outlay reductions since the 1983 current services baseline have been classified as "policy change".

An alternate measure of policy change is provided in the memo entry based on constant dollar budget authority levels. Given the highly variant and complicated spend-out patterns among various components of defense outlays, differences in constant dollar budget authority figures generally provide a more direct and accurate measure of pure policy change for the period under review. This comparison suggests that the pure "policy reduction" has been only slightly smaller than that implied by the outlay changes. Nevertheless, it is apparent that the Administration's original defense projections for 1984-86 have been scaled-back considerably, and that further reductions below the level in the Rose Garden Downpayment Plan would have serious adverse consequences for national security.

On an overall basis, the 1984-86 national defense outlay estimate is now \$85 billion or about 10 percent lower than assumed in the January 1983 baseline. This reduction accounts for about one-third of the downward revision of the deficit estimate over the period.

Table 13.--CHANGE IN NATIONAL DEFENSE OUTLAY ESTIMATES
(dollar amounts in billions)

	1984	1985	1986	Total 1984-86
January 1983 current services.....	253.7	292.7	332.6	879.0
<u>Policy Changes:</u>				
FY 1984 Budget request.....	-8.4	-7.4	-9.6	-25.4
Congressional action on FY 1984 appropriation.....	-11.7	---	---	-11.7
FY 1985 Budget request.....	---	-13.3	-12.4	-25.7
Rose Garden Downpayment Plan.....	---	-5.8	-16.0	-21.8
Total change.....	-20.1	-26.5	-38.0	-84.6
% change from January 1983.....	-7.9%	-9.1%	-11.4%	-9.6%
1985 Mid-Session Budget.....	233.6	266.2	294.6	794.4
National defense as % of Mid-Session outlays.....	27.6%	28.6%	29.5%	28.6%
<u>Memo: Constant 1985 Dollar</u>				
Budget Authority Change: 1/ January 1983 current services.....	303.1	332.2	350.8	986.1
1985 Mid-Session Budget.....	276.6	298.9	318.6	894.1
Change.....	-26.5	-33.3	-32.2	-92.0
% change.....	-8.7%	-10.0%	-9.2%	-9.3%

1/ Deflated by assumptions used at time of estimate.

III. Retirement, Disability and Medicare

This budget component includes most of the large non-means tested entitlements such as social security, medicare and federal retirement. It accounts for one-third of total budget outlays and over 50% of non-defense, non-interest outlays.

Significant changes in budget estimates due to both economic forecast revisions and policy action have occurred since the January 1983 current services baseline. In combination these revisions have reduced estimated outlays by \$41 billion or about 4 percent over 1984-86.

Table 14.--ECONOMIC FORECAST REVISIONS
AFFECTING PROGRAM OUTLAY ESTIMATES
(fiscal years)

	1984	1985	1986
<u>Civilian Employment (millions):</u>			
January 1983.....	101.8	104.6	107.2
1985 Mid-Session Budget.....	104.4	107.4	109.6
Increase.....	2.6	2.8	2.4
<u>Insured Unemployment (millions):</u>			
January 1983.....	4.2	3.8	3.6
1985 Mid-Session Budget.....	2.5	2.3	2.3
Reduction.....	-1.7	-1.5	-1.3
% reduction.....	-41%	-40%	-36%
<u>Civilian Unemployment Rate (%):</u>			
January 1983.....	10.2	9.2	8.4
1985 Mid-Session Budget.....	7.7	6.8	6.5
% reduction.....	-25%	-26%	-23%
<u>Insured Unemployment Rate (%):</u>			
January 1983.....	4.9	4.3	3.9
1985 Mid-Session Budget.....	2.9	2.6	2.5
% reduction.....	-40%	-38%	-34%
<u>Social Security COLA Assumption (CPI-W):</u>			
January 1983.....	4.5	4.5	4.6
198 Mid-Session Budget.....	3.5	3.4	4.8
Percentage point difference.....	-1.0	-1.1	0.2

Table 14 displays the major economic forecast revisions related to this component of the budget. The most dramatic change is in the employment and unemployment assumptions: during fiscal year 1984 civilian employment is estimated to be 2.6 million higher than in the January 1983 forecast and the civilian unemployment rate is estimated to average 7.7 percent compared to the 10.2 percent average assumed earlier.

While these large changes in the employment assumptions have had major effects on unemployment insurance outlays, as is detailed in the next section, the effects on this much larger portion of the budget are marginal. Lower unemployment tends to slightly deaccelerate the rate of new social security and other early retirements, as well as disability accessions; but these effects are overwhelmed by the fact that the preponderant share of transfer payment costs in this component are driven by eligible persons outside the labor force. The relative insensitivity of this budget component to business cycle conditions is dramatized by the fact that the \$3 billion in lower 1984-86 outlays attributable to the stronger than projected recovery of employment amounts to only a 0.3 percent reduction in the January 1983 baseline estimates.

In the case of inflation forecast changes, almost the opposite pattern holds: nearly 100 percent of the \$300 billion program base in this component is indexed for inflation either through automatic cost-of-living (COLA) adjustments (social security, railroad retirement, and Federal and Veterans pensions), legislative custom (Veterans compensation), or indirectly through reimbursement rules that generally permit economy-wide inflation increases to be passed through (medicare).

Thus, the downward revision of inflation rates in the Mid-Session forecast translates into about a one percentage point reduction from previous forecasts of the 1984 and 1985 social security COLA adjustment. Proportionately similar reductions have occurred for the other programs in this budget component. Since these downward price level adjustments are assumed to be permanent, the cumulative budget effect is quite large. Accordingly, outlay estimates for this component have been reduced by \$18 billion over 1984-86.

As shown in Table I5, a series of policy changes enacted over the last twenty months has reduced 1984-86 outlays by about \$20 billion. Most of these outlay reductions are attributable to COLA delays for the major indexed programs that were linked to the initial bipartisan agreement to delay social security COLAs by six months. Since the January 1983 current services baseline did not reflect these COLA policy changes, baseline outlays have been reduced by about 2% due to their enactment.

Table 15.-- RETIREMENT, DISABILITY AND MEDICARE OUTLAY CHANGES
(dollar amounts in billions)

	1984	1985	1986	Total 1984-86
January 1983 current services.....	287.0	313.5	338.6	939.1
<u>Economic Assumption Changes:</u>				
Lower inflation.....	-4.6	-6.7	-6.8	-18.2
Lower unemployment.....	-1.0	-1.2	-0.8	-3.0
Subtotal, economic.....	-5.6	-7.9	-7.6	-21.2
<u>Technical Reestimates:</u>				
Medicare.....	-0.8	—*	-1.6	-2.4
All other programs.....	2.4	1.1	-0.3	3.2
Subtotal, technical.....	1.6	1.1	-1.9	0.8
<u>Policy Changes:</u>				
Bipartisan Social Security bill....	-3.6	-4.0	-4.2	-11.8
Railroad Retirement bill.....	-0.2	-0.4	-0.5	-1.1
Medicare (Deficit Reduction Act)...	-0.1	-0.6	-1.4	-2.1
Veterans compensation/pension COLA delay.....	-0.2	-0.3	-0.3	-0.8
Military COLA/payment delay.....	---	-1.8	-0.6	-2.4
Civilian COLA delay.....	-0.2	-0.4	-0.7	-1.3
Net enacted changes.....	-4.3	-7.5	-7.7	-19.6
Mid-Session civil service retirement reforms.....	---	---	-0.3	-0.3
Other pending Mid-Session savings..	---	-0.4	-0.3	-0.7
Pending Mid-Session proposals....	---	-0.4	-0.6	-1.0
Subtotal, policy changes.....	-4.3	-7.9	-8.3	-20.5
<u>Budget Component Totals and Changes:</u>				
Total change from Jan. 1983.....	-8.3	-14.7	-17.8	-40.8
% change.....	-2.9%	-4.7%	-5.3%	-4.3%
1985 Mid-Session Budget outlays....	278.7	298.8	320.8	898.3
Memo: retirement, disability and medicare as % of total outlays.	33.0%	32.1%	32.2%	32.4%
<u>Composition of Mid-Session Outlays:</u>				
Social security.....	178.8	189.3	202.3	570.4
Medicare.....	59.1	68.7	75.0	202.8
Federal retirement 1/.....	21.5	21.1	23.2	65.8
Railroad and other retirement.....	5.5	5.4	5.7	16.6
Veterans compensation/pensions.....	13.9	14.2	14.6	42.7
Total.....	278.7	298.8	320.8	898.3

* \$50 million or less.

1/ Includes offsetting receipts for DOD contributions to military retirement accrual cost.

IV. Unemployment and Low-Income Benefits Programs

The programs in this component account for about 10% of total outlays. Comparatively large downward economic and technical revisions since the January 1983 baseline have reduced 1984-86 outlays by \$36 billion or 12%. A small part of this gain has been offset by net policy increases, primarily for extended unemployment benefits and the 7% increase in maximum supplemental security income (SSI) benefits included in the bipartisan Social Security Amendments.

As shown in Table 14, the civilian employment levels and unemployment rates assumed in the January 1983 baseline have been revised substantially. However, the even larger 41% reduction of the insured unemployment level and rate is more directly linked to this budget component, and has resulted in a 33% reduction in the unemployment compensation outlay estimate:

Outlays for Unemployment Compensation
(in billions of dollars)

	1984	1985	1986	Total 1984-86
January 1983 baseline.....	28.8	25.8	24.7	79.3
1984 Mid-Session revision.....	-10.3	-8.9	-6.8	-26.0
% reduction.....	-36%	-34%	-28%	-33%

Moreover, under Mid-Session policy and economic assumptions, outlays for Federal supplemental benefits will fall to zero after spring 1985 and extended benefits are expected to be paid only for the seasonally high winter quarter in Alaska (\$3 million per year). The remaining \$15 billion per year in 1986 unemployment compensation outlays represents nearly the minimum equilibrium level for the basic state benefit programs under an insured unemployment rate of 2.5%. Overall, the Mid-Session estimate for 1986 represents a 51% reduction from the 1983 recession peak level for unemployment compensation. The full budget gains due to economic recovery for this element will be realized by 1986.

Other programs in this budget component sensitive to changes in unemployment assumptions include food stamps, medicaid and aid to families with dependent children (AFDC). As shown in Table 16, Mid-Session outlays for these programs are \$6.6 billion lower for 1984-86 -- a decline of about 5% compared to the January 1983 baseline.

The revisions for all major programs sensitive to the unemployment rate are displayed below. The 1984-86 outlay reduction due to unemployment forecast changes since January 1983 totals \$35.6 billion. While these gains are significant and welcome, the impact of stronger recovery of output and employment on budget outlay totals should not be overstated. These unemployment-related revisions since January 1983 represent only 3% of the transfer payment baseline and slightly over 1% of total baseline outlays:

IMPACT OF UNEMPLOYMENT RELATED OUTLAY REESTIMATES
ON TRANSFER PAYMENT AND TOTAL OUTLAY BASELINE
(in billions of dollars)

	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>Total 1984-86</u>
<u>Unemployment-related Outlay</u>				
<u>Reestimates from Jan. 1983</u>				
<u>Baseline:</u>				
Retirement/disability/medicare.....	-1.0	-1.2	-0.8	-3.0
Unemployment/low-income.....	-12.4	-11.5	-8.7	-32.6
Total reestimates.....	-13.4	-12.7	-9.5	-35.6
Jan. 1983 transfer payment				
baseline 1/.....	<u>384.6</u>	<u>413.2</u>	<u>440.9</u>	<u>1,238.7</u>
Percent change in transfer payment baseline due to unemployment related reestimates.....	-3.5%	-3.1%	-2.2%	-2.9%
Jan. 1983 total outlay baseline.....	<u>880.3</u>	<u>966.4</u>	<u>1,051.7</u>	<u>2,898.4</u>
Percent change in total outlay baseline due to unemployment related reestimates.....				
	-1.5%	-1.3%	-0.9%	-1.2%

1/ Defined here as the following: retirement, disability, medicare, unemployment compensation, and low income benefit programs.

Some of the programs in this section are also linked to automatic COLAs (SSI, child nutrition) or are informally adjusted for inflation in other ways (medicaid). Due to revised inflation assumptions, outlay reductions of about \$2.5 billion are estimated for this component. In addition, on a net basis, technical reestimates have been minor.

Unlike other components of the budget, the major thrust of policy action since January 1983 has been to increase baseline outlays. However, these increases have been small and more than half of the enacted increase is attributable to the extension of Federal supplemental benefits from March 1983 assumed in the January 1983 baseline to March 1985 under current law and Mid-Session estimates.

The SSI increase enacted in the bipartisan Social Security Amendments, relaxation of tenant rent burden rules in the 1983 Housing/IMF compromise legislation, and small net increases in AFDC and medicaid contained in the Deficit Reduction Act of 1984 amount to a 1.7% percent increase to the 1984-86 baseline for all low-income programs (excluding UI). By 1986, these increases are more than offset by further low-income benefit reforms proposed in the 1985 Mid-Session Budget.

On an overall basis, unemployment and low-income benefit program estimates have been reduced by \$9.3 billion in 1984 and \$30 billion over three years compared to the January 1983 baseline. The revised Mid-Session estimates represent nearly a full-employment outlay level by 1986 and the pattern of Congressional action since January 1983 has been toward small increases rather than further policy reductions in this budget component. Thus, it is likely that out-year costs for this budget component will remain in the \$90 billion range plus any adjustments for cost-of-living increases permitted by current law or future Congressional action.

Table 16.--CHANGE IN UNEMPLOYMENT AND LOW-INCOME BENEFIT PROGRAMS
(dollar amounts in billions)

	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>Total</u> <u>1984-86</u>
January 1983 current services.....	<u>97.6</u>	<u>99.7</u>	<u>102.3</u>	<u>299.6</u>
<u>Economic Assumption Changes:</u>				
Lower unemployment -- UI.....	-10.3	-8.9	-6.8	-26.0
Lower unemployment -- low income...	-2.1	-2.6	-1.9	-6.6
Lower inflation.....	<u>-0.5</u>	<u>-1.1</u>	<u>-0.9</u>	<u>-2.5</u>
Subtotal, economic.....	-12.9	-12.6	-9.6	-35.1
<u>Technical Reestimates:</u>				
All programs (net).....	-0.3	0.3	-0.9	-0.9
<u>Policy Changes:</u>				
1983 Housing/IMF bill.....	---	0.2	0.1	0.3
Federal supplemental benefit extension.....	3.0	0.9	---	3.9
Bipartisan Social Security Amendments -- SSI.....	0.7	0.8	0.8	2.3
Deficit Reduction Act.....	<u>0.2</u>	<u>0.5</u>	<u>0.4</u>	<u>1.1</u>
Enacted changes.....	<u>3.9</u>	<u>2.4</u>	<u>1.3</u>	<u>7.6</u>
Food stamps/nutrition reforms.....	---	-0.1	-0.9	-1.1
Housing assistance.....	---	-*	-0.3	-0.4
Other low income.....	<u>-*</u>	<u>-0.2</u>	<u>-0.4</u>	<u>-0.6</u>
Pending Mid-Session proposals....	<u>-*</u>	<u>-0.4</u>	<u>-1.6</u>	<u>-2.0</u>
Subtotal, policy changes.....	3.9	2.0	-0.3	5.6

Table 16.--CHANGE IN UNEMPLOYMENT AND LOW-INCOME BENEFIT PROGRAMS
(dollar amounts in billions)

	1984	1985	1986	Total 1984-86
<u>Budget Component Totals and Changes:</u>				
Total change from Jan 1983.....	-9.3	-10.3	-10.8	-30.4
Percent change.....	-9.5%	-10.3%	-10.6%	-10.1%
1985 Mid-Session Budget.....	88.3	89.4	91.5	269.2
% of total Mid-Session outlays.....	10.4%	9.6%	9.2%	9.7%
<u>Composition of Mid-Session Outlays:</u>				
Medicaid.....	20.1	23.1	24.5	67.7
Unemployment compensation.....	18.6	15.8	15.3	49.7
Food stamps.....	12.5	12.2	12.1	36.8
Subsidized housing.....	10.1	11.2	11.4	32.7
SSI.....	8.5	9.5	9.7	27.7
AFDC/CSE.....	8.8	8.4	9.0	26.2
Child nutrition/WIC.....	4.9	5.1	5.3	15.3
Other.....	4.8	4.1	4.2	13.1
Total.....	88.3	89.4	91.5	269.2

* \$50 million or less.

V. Other Non-Defense Programs

This budget component comprises about 15% of total outlays and includes most of the non-defense appropriated programs. It also includes a number of major mandatory programs such as farm price supports, veterans readjustment benefits and guaranteed student loans, as well as programs funded from earmarked trust funds for highways, airports and airways, and other smaller funds.

Major technical reestimates for OCS receipts and numerous other adjustments have increased outlay estimates for this component by nearly \$31 billion over 1984-86 compared to the January 1983 current services baseline. These upward reestimates have more than offset \$20 billion in three-year outlay savings attributable to policy changes and \$5 billion in lower outlays due to revised economic assumptions. Overall, outlay estimates for this component have increased only marginally over the three-year period.

Table 17.-- CHANGE IN OTHER NON-DEFENSE OUTLAYS
(dollar amounts in billions)

	1984	1985	1986	Total 1984-86
January 1983 current services.....	136.7	140.3	142.9	419.9
<u>Economic Assumption Changes:</u>				
Lower inflation.....	-2.2	-3.2	-3.6	-9.0
Higher interest rates.....	0.1	1.4	2.5	4.0
Subtotal, economic.....	-2.1	-1.8	-1.1	-5.0
<u>Technical Reestimates:</u>				
OSC receipts.....	4.4	6.2	3.6	14.2
Other.....	3.4	7.3	6.0	16.7
Subtotal, technical.....	7.8	13.5	9.6	30.9
<u>Policy Changes:</u>				
PIK/target price freeze.....	-6.2	-2.1	-1.9	-10.2
General revenue sharing cap.....	-0.2	-0.4	-0.6	-1.2
Civilian non-DOD pay caps.....	-1.5	-2.3	-2.7	-6.5
SBA disaster program.....	---	-0.1	-0.1	-0.2
Credit union capitalization.....	---	-0.8	-0.1	-0.9
Puerto Rico rebate.....	---	-0.1	-0.2	-0.3
GNMA debt forgiveness, veterans housing and other.....	0.2	-1.3	-1.4	-2.5
Enacted changes.....	-7.7	-7.1	-7.0	-21.8
Guaranteed student loans.....	---	*	-0.2	-0.2
Veterans readjustment benefits.....	---	0.1	0.2	0.3
International affairs, space, science and technology.....	0.1	3.9	5.7	9.7
Other.....	0.1	-2.6	-5.4	-7.9
User fees.....	---	-0.3	-0.3	-0.6
Pending Mid-Session proposals....	0.2	1.2	*	1.4
Subtotal, policy changes.....	-7.5	-5.9	-7.0	-20.4
<u>Budget Component Totals and Changes:</u>				
Total change from Jan. 1983.....	-1.8	5.8	1.5	5.5
Percent change.....	-1.3%	4.1%	1.0%	1.3%
1985 Mid-Session Budget.....	134.9	146.1	144.4	425.4
% of total Mid-Session outlays.....	16.0%	15.7%	14.5%	15.3%

Table 17.-- CHANGE IN OTHER NON-DEFENSE OUTLAYS
(dollar amounts in billions)

	1984	1985	1986	Total 1984-86
<u>Composition of Mid-Session Outlays:</u>				
International affairs.....	12.6	17.2	18.1	47.9
Space and science.....	8.2	8.7	9.4	26.3
Veterans health & other.....	12.0	12.6	12.9	37.4
Highway programs.....	11.1	13.5	14.1	38.8
Education.....	15.7	16.8	16.0	48.6
Farm price supports/CCC.....	6.2	11.6	11.5	29.3
General revenue sharing.....	4.6	4.6	4.6	13.7
Airports and airways.....	3.8	4.5	5.1	13.4
Justice.....	5.9	6.2	6.1	18.2
Coast Guard.....	2.5	2.6	2.7	7.9
National Institutes of Health.....	4.2	4.5	4.7	13.4
Water resources.....	4.1	3.9	3.8	11.8
All other.....	44.0	39.5	35.5	119.0
Total.....	134.9	146.1	144.4	425.4

* \$50 million or less.

VI. Net Interest

Net interest costs are a function of the level of the national debt and the interest rates paid to finance it. Relative to the January 1983 current services baseline, the debt level estimate for 1984-86 has been substantially reduced as a result of \$200 billion in 3-year policy savings and \$145 billion in downward deficit reestimates attributable to economic forecast revisions outside the net interest function.

As shown in Table 18, however, Mid-Session interest rate assumptions now stand significantly above those of January 1983. The 91-Day Treasury Bill rates are now assumed to average 9.2 percent over the period compared to 7.5 percent in the earlier estimate, and the long-term bond rate has been increased by an average of 3.2 percentage points.

The effect of higher interest rate assumptions has been to raise debt service costs by \$55 billion over 1984-86. This increase has more than offset the lower debt service costs attributable to policy changes and revision of other economic assumptions. In addition, significant technical reestimates of debt service costs have raised estimated 1984-86 net interest outlays by \$16 billion relative to the January 1983 assumptions.

The net effect of all of these offsetting adjustments is an increase in 1984 net interest outlays of \$4.2 billion, with a further rise of nearly \$11 billion by 1986. The current estimate represents 14.6 percent of total Mid-Session outlays for 1986 -- a share well above the 7.2 average for 1960-1979.

Table 18.--ECONOMIC FORECAST REVISIONS OF INTEREST RATES
(fiscal years)

	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>Average 1984-86</u>
<u>91-Day Treasury Bill</u>				
January 1983.....	8.0	7.6	6.9	7.5
1985 Mid-Session.....	<u>9.3</u>	<u>9.4</u>	<u>8.8</u>	<u>9.2</u>
Difference.....	<u>1.3</u>	<u>1.8</u>	<u>1.9</u>	<u>1.7</u>
<u>Long-Term Treasury Bonds</u>				
January 1983.....	9.9	9.2	8.2	9.1
1985 Mid-Session.....	<u>12.4</u>	<u>12.7</u>	<u>11.8</u>	<u>12.3</u>
Difference.....	<u>2.5</u>	<u>3.5</u>	<u>3.6</u>	<u>3.2</u>

Table 19.--CHANGE IN NET INTEREST OUTLAYS
(dollar amounts in billions)

	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>Total 1984-86</u>
January 1983 current services.....	<u>105.2</u>	<u>120.3</u>	<u>135.2</u>	<u>360.7</u>
<u>Changes Due To:</u>				
Policy revisions.....	-0.5	-6.9	-15.8	-23.2
Technical reestimates.....	0.2	7.5	8.5	16.0
Economic assumptions:				
Interest rates.....	5.4	17.2	32.4	55.0
Debt service effect of other economic assumptions.....	<u>-0.9</u>	<u>-7.7</u>	<u>-14.4</u>	<u>-23.0</u>
Net change.....	4.2	9.9	10.7	24.8
% Change.....	4.0%	8.2%	7.9%	6.9%
1985 Mid-Session Budget.....	109.4	130.2	145.9	385.5
% of Total Mid-Session outlays.....	13.0%	14.0%	14.6%	13.9%

THE CREDIT BUDGET

The credit budget is the total of new direct loan obligations and new guaranteed loan commitments. The budget authority and outlays associated with credit programs are included in other sections of the Mid-Session Review.

New direct loan obligations are currently estimated at \$38.0 billion in 1984 and \$34.7 billion in 1985. New guaranteed loan commitments are estimated at \$80.1 billion in 1984 and \$93.7 billion in 1985.

Mid-Session estimates of new guaranteed loan commitments are \$18.2 billion and \$6.2 billion lower than the April estimates in 1984 and 1985, respectively. New direct loan obligations are estimated at \$0.2 billion and \$0.3 billion higher. Overall, the credit budget totals are lower than the April estimates by \$18.0 billion in 1984 and \$5.8 billion in 1985. These changes are primarily due to congressional action and technical reestimates.

Table 20.--CHANGE IN THE CREDIT BUDGET TOTALS
DIRECT LOAN OBLIGATIONS AND GUARANTEED LOAN COMMITMENTS
(in billions of dollars)

	1984	1985	1986	1987	1988	1989
February credit budget..	135.2	130.5	129.3	131.7	135.5	135.6
Changes.....	0.9	3.7	2.0	0.9	0.1	0.1
April total.....	136.1	134.2	131.3	132.6	135.6	135.7
New direct loan obligations:						
Congressional action						
or inaction:						
VA loan guaranty						
revolving fund....	0.1	0.7	0.7	0.5	0.5	0.5
SBA disaster loans..	0.2	0.2	0.2	0.2	0.2	0.2
Community develop-						
ment grants.....	---	0.2	---	---	---	---
Housing for the						
elderly.....	---	0.1	---	---	---	---
Other.....	---	0.3	0.1	0.1	0.1	0.1
Technical reestimates:						
FDIC.....	2.4	---	---	---	---	---
Export-Import Bank..	-0.7	---	---	---	---	---
Rural electric/tele-						
phone revolving						
fund (FFB direct).	-2.3	---	---	---	---	---
CCC.....	0.2	-1.2	-0.7	0.3	0.8	2.2
Other.....	0.2	-*	-0.2	-0.1	-*	-0.1
Subtotal, direct						
loan changes.....	0.2	0.3	*	1.0	1.5	2.8

Table 20.--CHANGE IN THE CREDIT BUDGET TOTALS
DIRECT LOAN OBLIGATIONS AND GUARANTEED LOAN COMMITMENTS (Cont.)
(in billions of dollars)

	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
New guaranteed loan commitments:						
<u>Congressional action</u>						
or inaction:						
CCC.....	---	0.9	---	---	---	---
Synthetic Fuels						
Corporation.....	-3.8	-0.6	---	---	---	---
<u>Technical reestimates:</u>						
FHA fund.....	-13.6	-7.9	-7.9	-8.1	-9.9	-9.2
VA loan guaranty						
revolving fund....	2.4	1.6	4.1	6.5	7.1	6.9
Export-Import Bank..	-2.9	---	---	---	---	---
Guaranteed student						
loans.....	-0.4	-0.2	-0.4	-0.4	-0.4	-0.4
Other.....	*	*	---	---	---	---
Subtotal, guaranteed						
loan changes.....	<u>-18.2</u>	<u>-6.2</u>	<u>-4.2</u>	<u>-2.0</u>	<u>-3.2</u>	<u>-2.7</u>
Total changes.....	<u>-18.0</u>	<u>-5.8</u>	<u>-4.2</u>	<u>-1.0</u>	<u>-1.6</u>	<u>0.1</u>
Mid-Session estimate of						
credit budget total...	118.1	128.4	127.1	131.6	134.0	135.8

* \$50 million or less.

Direct Loan Obligations.--The major changes in new direct loan obligations between the April Update and Mid-Session Review are:

Congressional Action or Inaction

- an increase of \$0.1 billion in 1984 and \$0.7 billion in 1985 in the Veterans Administration loan guaranty revolving fund due to increased VA property acquisitions caused by the Deficit Reduction Act;
- increases of \$0.2 billion a year in Small Business Administration disaster loans reflecting the higher loan levels enacted in the Reconciliation Act of 1983 and the Deficit Reduction Act of 1984; and
- increases in 1985 direct loans as a result of action on the 1985 HUD/Independent Agencies Appropriation bill as follows: \$0.2 billion for the community development grants Section 108 loan guarantee program and \$0.1 billion for housing for the elderly or handicapped.

Technical Reestimates

- direct loans by the Federal Deposit Insurance Corporation of \$2.4 billion in 1984 reflecting primarily the Government's assistance to Continental Illinois National Bank;
- a decrease of \$0.7 billion in new Export-Import Bank direct loan obligations in 1984 due to lower requested financing by foreign borrowers for anticipated capital-investment projects;
- a decrease of \$2.3 billion in off-budget Rural Electrification Administration loan guarantees (FFB direct loans) in 1984 due to a substantial decline in demand for electric power generation facilities;
- an increase of \$0.2 billion in 1984 in new Commodity Credit Corporation (CCC) price support loans due to higher than anticipated participation in the crop program and a decrease of \$1.2 billion in 1985 due to lower than expected production from the current planted crop.

Guaranteed loan commitments.--The major changes in new guaranteed loan commitments are:

Congressional Action or Inaction

- an increase of \$0.9 billion in new CCC export credit guarantees mandated in the second Urgent Supplemental Appropriations Act, 1984; and
- decreases of \$3.8 billion in 1984 and \$0.6 billion in 1985 in off-budget Synthetic Fuels Corporation guaranteed loan commitments assuming enactment of a \$9 billion rescission (of which \$2 billion was included in the Deficit Reduction Act). The revised estimates assume that the Corporation would proceed with all projects for which letters of intent have been issued or proposed.

Technical Reestimates

- decreases in Federal Housing Administration (FHA) guaranteed loans of \$13.6 billion in 1984 reflecting the decrease in new home mortgages resulting from higher mortgage interest rates. Decreases ranging from \$7.9 billion to \$9.9 billion are reflected in the estimates for 1985 through 1989;
- annual increases ranging from \$1.6 to \$7.1 billion in VA guaranteed housing loans reflecting revised estimates of veterans' housing demands;
- a decrease of \$2.9 billion in new Export-Import Bank guaranteed loan commitments in 1984 due to the continuing recession in developing countries and the resulting decrease in demand for export credit guarantees; and

-- decreases in new guaranteed student loan commitments in 1984 through 1989 are primarily due to the use of a more accurate estimating methodology. This change has no effect on loan volume.

OUTLAYS OF OFF-BUDGET FEDERAL ENTITIES

The Mid-Session Review estimates of outlays of off-budget Federal entities are lower than the April estimates by \$2.2 billion in 1984 and \$1.5 billion in 1985. The estimated outlays for 1986 through 1989 are also below the April estimates, by \$0.1 to \$0.2 billion annually.

Table 21.--CHANGE IN OUTLAYS OF OFF-BUDGET FEDERAL ENTITIES
(in billions of dollars)

	1984	1985	1986	1987	1988	1989
February budget.....	16.2	14.8	8.8	7.2	7.6	4.8
Changes.....	-1.0	---	---	0.2	0.2	0.2
April estimate.....	15.2	14.8	8.8	7.4	7.8	5.0
Technical reestimates:	-2.1	-0.4	-0.2	-0.2	-0.2	-0.2
Congressional action:	-*	-1.2	0.1	0.1	-*	-*
Total changes.....	-2.2	-1.5	-0.1	-0.1	-0.2	-0.2
Mid-Session estimate.....	13.0	13.3	8.7	7.3	7.6	4.7

* \$50 million or less.

The major component of the revisions is a lower level of estimated Federal Financing Bank (FFB) outlays over 1984-1989. These lower estimates are due largely to changes in financing requirements in a few programs because of congressional action and technical reestimates. In the low-rent public housing program, Congress has effectively prohibited the sale of financial notes to the FFB in order to continue the financing of these notes on a federally tax-exempt basis, which lowers the level of 1985 FFB outlays by \$1.2 billion.

Technical reestimates affect several programs. In the agriculture, rural housing, and rural development credit programs of the Farmers Home Administration, sales of loan assets to the FFB in 1984 are estimated to be less by \$1.1 billion due to lower than previously expected disbursements of disaster and low-income housing loans. Lower than expected demand for electric power generation facilities of the Rural Electrification Administration has reduced demand for FFB financing by about \$0.2 to \$0.3 billion annually. In the foreign military sales credit program, several countries have reduced their estimated purchases of military goods in 1984, leading to a drop of \$0.6 billion in FFB financing.

The Postal Service, another off-budget Federal entity, estimated lower net outlays by \$0.2 billion in 1984 because of greater revenue generated by a larger volume of mail. The Strategic Petroleum Reserve estimated an increase in 1984 outlays of \$55 million and a decrease in 1985 of \$59 million due to an acceleration of oil deliveries to the reserve in 1984.

PROJECTIONS OF OUTLAYS FOR OPEN-ENDED
PROGRAMS AND FIXED COSTS

Outlay projections for open-ended programs and fixed costs are shown in the following table, as required by Section 221(b) of the Legislative Reorganization Act of 1970.

These projections indicate that, under existing legislation and the economic assumptions shown in Table 7, payments for individuals are estimated to grow by roughly 7.1 percent a year from 1985 to 1989. Total open-ended programs and fixed costs are projected to comprise 55.2 percent of total budget outlays in 1989, a decrease from the 1985 share of 57.1 percent.

Table 22.--PROJECTIONS OF OUTLAYS FOR OPEN-ENDED PROGRAMS AND FIXED COSTS ^{1/}
(in millions of dollars)

	Estimate				
	1985	1986	1987	1988	1989
<u>Open-Ended Programs and Fixed Costs</u>					
Payments for individuals:					
Social security and railroad retirement.....	192.9	206.1	220.5	235.1	249.8
Federal employees retirement and insurance.....	49.7	54.0	57.0	60.1	63.3
Unemployment assistance.....	16.0	15.6	16.2	16.9	17.3
Medical care.....	97.5	106.0	118.1	131.9	146.9
Assistance to students.....	5.0	4.9	4.6	4.1	3.7
Food and nutrition assistance.....	3.7	4.0	4.4	4.7	5.1
Public assistance and related programs.....	22.4	23.4	23.9	25.3	25.2
All other relatively uncontrollable payments for individuals.....	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.1</u>	<u>3.0</u>
Subtotal, payments for individuals.....	390.3	417.0	447.8	481.3	514.4
Net interest.....	130.2	145.9	156.3	159.6	147.1
General revenue sharing.....	4.6	4.6	4.6	4.6	4.6
Other open-ended programs and fixed costs.....	<u>6.2</u>	<u>5.5</u>	<u>3.3</u>	<u>1.7</u>	<u>0.9</u>
Total, open-ended programs and fixed costs.....	531.2	572.9	612.0	647.1	666.9

^{1/} This table is supplied pursuant to the requirements of Section 221(b) of the Legislative Reorganization Act of 1970 (P.L. 91-510).

SPENDING FROM BALANCES OF BUDGET AUTHORITY
AVAILABLE AT THE END OF FISCAL YEAR 1985:
NON-MANDATORY PROGRAMS

Section 221(b) of the Legislative Reorganization Act of 1970 amended the Budget and Accounting Act of 1921 to require that the President transmit to the Congress "summaries of estimated expenditures, in fiscal years following such ensuing fiscal year [1985, this year] of balances carried over from such ensuing fiscal year." These estimates are presented in the following table.

The Mid-Session estimate of the balances at the end of fiscal year 1985 for programs that have controllable outlays is \$691 billion. About \$41 billion of this total is in guarantee and insurance program balances, very little of which is expected ever to be spent. The spending pattern from the balances in other programs, which amount to \$650 billion, is fairly consistent among the programs. The bulk of this spending takes place in 1986, and declines rapidly thereafter. About 35 percent is expected to be spent in 1986 and approximately 16% in 1987. About 37 percent (\$239 billion) is expected to remain unexpended at the end of fiscal year 1989. An estimated \$0.9 billion of the 1985 end-of-year balances is expected to expire (without being spent) during fiscal years 1986 through 1989.

Table 23.--ESTIMATED SPENDING FROM END OF FISCAL YEAR 1985 BALANCES
OF BUDGET AUTHORITY: NON-MANDATORY PROGRAMS*
(in billions of dollars)

	Federal Guarantee and Insurance Programs: Reserves for Losses, and <u>Standby and Backup Authority</u>	<u>Other Unexpended Balances,</u> <u>September 30, 1985</u>	<u>Total</u>
Total balances, end of 1985 (Mid-Session estimate).....	41.3	649.6	690.9
Spending from balances in:			
1986.....	--	230.4	230.4
1987.....	--	101.5	101.5
1988.....	--	47.6	47.6
1989.....	--	29.8	29.8
Expiring balances, 1986 through 1989.....	--	0.9	0.9
Unexpended balances as of the end of 1989.....	41.3	239.4 ^{1/}	280.7

* This table is supplied pursuant to the requirements of Section 221(b) of the Legislative Reorganization Act of 1970 (P.L. 91-510).

^{1/} Includes \$204 billion in subsidized housing (HUD) unexpended balances.

Table 24.--BUDGET TOTALS
(in billions of dollars)

	<u>Receipts</u>	<u>Budget Outlays</u>	<u>Budget Deficit (-)</u>	<u>Off-Budget Outlays</u>	<u>Total Deficit (-)</u>
1983 actual.....	600.6	796.0	-195.4	12.4	-207.8
1984 estimate:					
February budget....	670.1	853.8	-183.7	16.2	-199.9
April estimate.....	672.7	850.5	-177.8	15.2	-193.0
Mid-Session.....	670.7	845.0	-174.3	13.0	-187.3
1985 estimate:					
February budget....	745.1	925.5	-180.4	14.8	-195.2
April estimate.....	753.1	932.0	-179.0	14.8	-193.8
Mid-Session.....	763.8	930.6	-166.9	13.3	-180.2
1986 estimate:					
February budget....	814.9	992.1	-177.1	8.8	-185.9
April estimate.....	818.8	999.5	-180.7	8.8	-189.5
Mid-Session.....	831.8	997.3	-165.5	8.7	-174.1
1987 estimate:					
February budget....	887.8	1,068.3	-180.5	7.2	-187.7
April estimate.....	890.6	1,075.4	-184.7	7.4	-192.2
Mid-Session.....	904.1	1,076.6	-172.6	7.3	-179.9
1988 estimate:					
February budget....	978.3	1,130.3	-152.0	7.6	-159.7
April estimate.....	981.0	1,137.3	-156.3	7.8	-164.1
Mid-Session.....	993.7	1,153.4	-159.7	7.6	-167.3
1989 estimate:					
February budget....	1,060.3	1,183.7	-123.4	4.8	-128.2
April estimate.....	1,063.3	1,191.9	-128.6	5.0	-133.5
Mid-Session.....	1,069.8	1,209.1	-139.3	4.7	-144.0

Table 25.--CHANGE IN BUDGET RECEIPTS
(in billions of dollars)

	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
February budget.....	670.1	745.1	814.9	887.8	978.3	1,060.3
Changes.....	<u>2.6</u>	<u>7.9</u>	<u>3.9</u>	<u>2.8</u>	<u>2.7</u>	<u>3.0</u>
April estimate.....	672.7	753.1	818.8	890.6	981.0	1,063.3
Revised economic assumptions.....	0.3	2.6	2.9	0.7	-*	-2.9
Policy changes:						
Net effect of Deficit Reduction Act.....	-0.4	5.1	10.0	13.8	13.9	13.7
Delay in proposed railroad unemployment insurance coverage.....	-0.1	-*	---	---	---	---
Proposed automated examination of tax returns.....	---	---	0.4	0.9	1.4	1.9
Other.....	<u>-0.1</u>	<u>0.1</u>	<u>-*</u>	<u>-0.1</u>	<u>-0.1</u>	<u>-0.1</u>
Subtotal, policy..	-0.6	5.2	10.4	14.6	15.2	15.4
Technical reestimates.	<u>-1.7</u>	<u>2.9</u>	<u>-0.2</u>	<u>-1.9</u>	<u>-2.4</u>	<u>-6.1</u>
Total changes.....	-2.0	10.7	13.0	13.4	12.7	6.5
Mid-Session estimate....	670.7	763.8	831.8	904.1	993.7	1,069.8

* \$50 million or less.

Table 26.--CHANGE IN BUDGET OUTLAYS
(in billions of dollars)

	1984	1985	1986	1987	1988	1989
February budget.....	853.8	925.5	992.1	1,068.3	1,130.3	1,183.7
Changes.....	<u>-3.3</u>	<u>6.6</u>	<u>7.5</u>	<u>7.1</u>	<u>6.9</u>	<u>8.2</u>
April estimate.....	850.5	932.0	999.5	1,075.4	1,137.3	1,191.9
Revised economic assumptions:						
Net interest:						
Interest rate effect.....	-0.6	5.6	16.0	21.4	23.7	16.1
Effect of revised borrowing due to adjusted economic assumptions.....	---	-0.2	0.5	2.1	3.7	4.6
Guaranteed student loans.....	---	0.4	0.5	0.4	0.2	0.1
Federal Savings and Loan Insurance Corporation (FSLIC)	---	0.2	0.4	1.0	0.8	0.7
Commodity Credit Corporation (CCC)..	---	-*	0.3	0.4	0.3	0.2
Unemployment compensation.....	-0.8	-2.1	-2.0	-1.8	-0.8	0.4
Social security.....	0.1	-0.8	-0.7	-0.7	-0.9	-1.2
Food stamps.....	---	-0.5	-0.3	-0.2	-*	0.1
Other.....	<u>-0.1</u>	<u>0.3</u>	<u>0.2</u>	<u>*</u>	<u>0.1</u>	<u>-*</u>
Subtotal, economic.	-1.4	2.9	14.9	22.6	27.1	21.0
Policy changes:						
National defense.....	-3.9	-5.9	-15.9	-18.2	-11.0	-5.0
Federal civilian agency pay.....	*	0.1	-0.7	-1.4	-1.1	-1.0
Medicare.....	*	0.5	0.7	1.4	2.8	4.5
Aid to families with dependent children (AFDC).....	---	0.6	0.8	0.8	0.8	0.8
Medicaid.....	*	1.2	1.3	1.3	1.4	1.5
National Credit Union Administration (NCUA).....	---	-0.8	-0.1	-0.1	-0.1	-0.1
Military retirement..	---	-1.5	-0.1	-0.1	-0.1	-0.1
Commodity Credit Corporation (CCC)..	---	*	0.1	0.1	0.1	0.2
Other programmatic...	0.3	1.1	*	-0.5	-0.4	-0.6
Net interest:						
Effect of revised borrowing due to policy changes...	---	-0.6	-2.6	-5.3	-6.8	-7.2
Subtotal, policy...	<u>-3.6</u>	<u>-5.3</u>	<u>-16.5</u>	<u>-21.8</u>	<u>-14.4</u>	<u>-6.9</u>

Table 26.--CHANGE IN BUDGET OUTLAYS (Continued)
(in billions of dollars)

	1984	1985	1986	1987	1988	1989
Technical reestimates:						
Medicare.....	-1.4	-1.2	-2.1	-2.5	-2.8	-3.3
Medicaid.....	—*	—*	-0.6	-0.6	-0.6	-0.6
Commodity Credit Corporation (CCC)...	0.6	-1.4	-0.9	-0.3	2.0	3.2
FDIC.....	1.7	1.0	0.6	0.3	---	---
Export-Import Bank...	-0.5	-0.3	-0.1	0.1	*	—*
Aid to families with dependent children (AFDC).....	0.7	0.3	0.6	0.7	0.8	0.8
Food stamps.....	0.2	0.4	0.4	0.4	0.4	0.5
OCS receipts.....	0.3	0.6	-0.2	0.9	0.4	0.1
GNMA mortgage purchase activities.....	-0.4	0.2	0.3	-0.4	*	-0.1
Energy security reserve.....	—*	—*	0.1	0.1	*	-0.2
Other programmatic...	-2.1	0.6	0.6	0.7	1.0	1.2
Net interest:						
Direct technical reestimates.....	0.7	1.6	1.6	1.8	2.4	1.3
Effect of revised borrowing due to technical reestimates.....	<u>-0.1</u>	<u>-0.7</u>	<u>-0.9</u>	<u>-0.8</u>	<u>-0.3</u>	<u>0.2</u>
Subtotal, technical	-0.5	1.0	-0.7	0.5	3.4	3.1
Total changes.....	-5.5	-1.4	-2.3	1.3	16.1	17.2
Mid-Session estimate.....	845.0	930.6	997.3	1,076.6	1,153.4	1,209.1

* \$50 million or less.

Table 27.--CHANGE IN BUDGET AUTHORITY
(in billions of dollars)

	1984	1985	1986	1987	1988	1989
February budget.....	912.5	1,006.5	1,100.3	1,181.2	1,268.2	1,345.1
Changes.....	<u>2.7</u>	<u>7.9</u>	<u>11.1</u>	<u>9.6</u>	<u>10.0</u>	<u>10.3</u>
April estimate.....	915.2	1,014.5	1,111.4	1,190.8	1,278.3	1,355.4
Revised economic assumptions and technical reestimates:						
Social security.....	1.1	-0.2	-2.2	2.1	-2.1	-4.9
Medicare.....	0.4	0.8	2.3	-2.8	0.2	-0.3
Unemployment compensation.....	-0.1	-0.7	-*	-1.0	-2.4	-1.9
Commodity Credit Corporation (CCC)...	---	---	-1.8	0.4	1.3	2.5
Other.....	1.0	1.8	1.7	3.4	3.7	3.7
Net interest.....	<u>-*</u>	<u>6.3</u>	<u>17.2</u>	<u>24.5</u>	<u>29.6</u>	<u>22.2</u>
Subtotal, economic and technical.....	2.3	8.0	17.2	26.6	30.3	21.2
Policy changes:						
National defense....	0.1	-14.4	-25.3	-17.1	---	---
Energy Security Reserve.....	-2.0	-7.0	---	---	---	---
HUD subsidized housing.....	--	1.7	--	1.3	-1.2	0.4
Medicare.....	-*	0.4	0.9	1.8	3.3	5.1
Medicaid.....	*	1.2	1.3	1.3	1.4	1.5
Aid to families with dependent children (AFDC).....	*	0.6	0.8	0.8	0.8	0.8
Other.....	0.5	2.6	1.4	-0.9	-0.3	0.1
Net interest.....	<u>---</u>	<u>-0.6</u>	<u>-2.6</u>	<u>-5.3</u>	<u>-6.8</u>	<u>-7.2</u>
Subtotal, policy	-1.4	-15.5	-23.4	-18.0	-2.8	0.8
Total changes...	<u>0.9</u>	<u>-7.5</u>	<u>-6.2</u>	<u>8.6</u>	<u>27.6</u>	<u>22.0</u>
Mid-Session estimate....	916.1	1,006.9	1,105.2	1,199.4	1,305.8	1,377.5

* \$50 million or less.

Table 28.--BUDGET RECEIPTS BY MAJOR SOURCE
(in billions of dollars)

	Actual 1983	April Estimate						Mid-Session Estimate					
		1984	1985	1986	1987	1988	1989	1984	1985	1986	1987	1988	1989
Individual income taxes.....	288.9	296.0	331.9	366.7	404.1	450.2	493.6	299.5	341.8	376.0	411.3	457.1	499.4
Corporation income taxes.....	37.0	65.7	77.0	87.6	97.5	103.4	107.4	59.0	74.3	87.4	101.7	110.4	116.5
Social insurance taxes and contributions.....	209.0	241.5	271.2	298.1	323.5	361.2	394.0	241.2	271.5	295.9	317.7	354.1	382.2
Excise taxes.....	35.3	37.5	38.3	34.1	33.4	33.9	34.5	37.2	38.9	36.1	36.8	35.4	34.7
Estate and gift taxes..	6.1	6.0	5.6	5.1	4.7	4.3	4.7	6.1	5.7	5.4	5.0	4.8	4.8
Customs duties.....	8.7	10.0	10.4	10.7	11.0	11.4	12.3	11.2	12.0	12.6	13.1	13.6	14.2
Miscellaneous receipts..	15.6	16.0	18.5	16.6	16.5	16.5	16.8	16.6	19.6	18.4	18.5	18.3	18.1
Total budget receipts.....	600.6	672.7	753.1	818.8	890.6	981.0	1,063.3	670.7	763.8	831.8	904.1	993.7	1,069.8

Table 29.--BUDGET OUTLAYS BY AGENCY
(in billions of dollars)

Department or Other Unit	Actual 1983	April Estimate						Mid-Session Estimate					
		1984	1985	1986	1987	1988	1989	1984	1985	1986	1987	1988	1989
Legislative Branch.....	1.4	1.6	1.7	1.8	1.8	1.8	1.8	1.7	1.7	1.7	1.7	1.8	1.8
The Judiciary.....	0.8	0.9	1.0	1.1	1.1	1.2	1.2	0.9	1.0	1.1	1.1	1.2	1.2
Executive Office of the President.....	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Funds Appropriated to the President.....	5.5	7.6	11.3	12.3	12.6	12.5	11.9	7.8	11.2	12.5	12.8	12.5	12.1
Agriculture.....	46.4	34.0	40.6	40.0	38.8	36.8	36.9	34.8	39.6	39.4	39.4	39.9	41.2
Commerce.....	1.9	2.1	2.0	1.8	1.8	1.9	2.0	2.0	2.0	1.9	1.8	1.8	2.0
Defense - Military:													
Including accruals....	(204.4)	(231.0)	264.4	301.8	339.2	369.8	398.8	(227.0)	258.6	286.2	321.5	358.8	393.8
Excluding accruals....	205.0	231.0	---	---	---	---	---	227.0	---	---	---	---	---
Defense - Civil:													
Including military retirees.....	(18.9)	(19.6)	20.0	21.1	22.5	23.9	25.2	(19.6)	18.6	21.0	22.3	23.7	25.1
Excluding military retirees.....	2.9	3.1	---	---	---	---	---	3.1	---	---	---	---	---
Education.....	14.6	16.2	15.6	15.6	15.3	15.3	15.3	15.8	17.0	16.1	15.9	15.7	15.5
Energy.....	8.4	8.2	9.5	11.0	11.4	11.8	12.0	8.3	9.5	10.6	10.9	11.7	11.9
Health and Human Services.....	276.6	295.4	317.2	339.0	365.0	393.0	421.0	294.3	317.5	338.7	364.9	394.0	423.0
Housing and Urban Development.....	15.3	16.1	15.5	15.1	16.6	16.8	16.8	15.8	14.9	14.5	15.1	15.8	15.4
Interior.....	4.6	5.0	4.5	4.3	4.3	4.4	4.4	4.8	4.5	4.4	4.4	4.4	4.5
Justice.....	2.8	3.4	3.7	3.6	3.6	3.7	3.7	3.3	3.7	3.7	3.7	3.7	3.7
Labor.....	38.1	25.3	24.3	23.6	24.1	24.1	23.6	24.8	22.1	21.7	22.5	23.4	24.1
State.....	2.3	2.5	3.0	2.8	3.1	3.2	3.3	2.4	3.0	2.8	3.1	3.2	3.3
Transportation.....	20.6	25.1	26.2	27.5	28.1	28.0	27.9	24.3	26.1	27.3	28.1	28.0	27.9
Treasury.....	116.4	139.3	157.2	169.7	179.8	183.6	184.3	139.4	166.2	189.8	206.9	216.3	210.0
Environmental Protection Agency.....	4.3	4.0	4.2	4.0	3.8	3.7	3.6	4.1	4.2	4.1	3.8	3.7	3.6
General Services Administration.....	0.2	0.4	0.3	0.2	0.3	0.3	0.3	0.4	0.3	0.2	0.3	0.3	0.3
NASA.....	6.7	7.1	7.4	7.8	8.1	8.6	9.0	7.1	7.4	7.8	8.1	8.6	9.0
Office of Personnel Management.....	21.3	22.6	23.8	25.3	27.0	28.7	30.3	22.6	23.8	25.3	26.7	28.4	30.1
Small Business Administration.....	0.5	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.5	0.6	0.6	0.5	0.4
Veterans Administration	24.8	25.9	26.6	27.6	28.8	29.9	30.8	25.9	26.7	27.4	28.4	29.7	30.6
Other Agencies.....	10.3	9.6	9.2	8.4	8.0	7.1	6.5	10.5	9.3	9.6	9.6	8.4	7.6
Allowances.....	---	---	0.9	4.0	6.3	8.5	10.9	---	1.0	3.2	4.6	7.1	9.5
Undistributed offsetting receipts:													
Interest received by trust funds.....	-17.1	-19.8	-23.7	-27.9	-32.4	-36.7	-41.6	-20.2	-25.5	-31.9	-38.7	-45.1	-51.1
Interest received by Outer Continental Shelf escrow account	---	-0.1	-0.4	-1.4	-0.9	---	---	-*	-0.4	-1.4	-0.9	---	---

Table 29.--BUDGET OUTLAYS BY AGENCY (continued)
(in billions of dollars)

Department or Other Unit	Actual 1983	April Estimate						Mid-Session Estimate					
		1984	1985	1986	1987	1988	1989	1984	1985	1986	1987	1988	1989
Employer share, employee retirement:													
Including accrual													
offset.....	(-23.5)	(-25.3)	-27.8	-31.5	-34.1	-37.0	-39.6	(-25.3)	-27.8	-31.2	-33.8	-36.6	-39.3
Excluding accrual													
offset.....	-8.1	-8.8	---	---	---	---	---	-8.8	---	---	---	---	---
Rents and royalties on the Outer Continental Shelf...	-10.5	-7.7	-6.6	-9.6	-9.0	-8.0	-8.6	-7.5	-6.0	-9.8	-8.1	-7.6	-8.5
Total undistributed offsetting receipts:													
Including accrual													
offset.....	(-51.1)	(-52.9)	-58.6	-70.5	-76.4	-81.6	-89.8	(-53.0)	-59.7	-74.4	-81.5	-89.3	-98.9
Excluding accrual													
offset.....	-35.7	-36.4	---	---	---	---	---	-36.5	---	---	---	---	---
Total on-budget outlays.....	796.0	850.5	932.0	999.5	1,075.4	1,137.3	1,191.9	845.0	930.6	997.3	1,076.6	1,153.4	1,209.1
ADDENDUM:													
Off-budget outlays...	12.4	15.2	14.8	8.8	7.4	7.8	5.0	13.0	13.3	8.7	7.3	7.6	4.7
Total outlays.....	808.3	865.7	946.9	1,008.3	1,082.8	1,145.1	1,196.9	858.0	943.9	1,006.0	1,084.0	1,161.0	1,213.8

* \$50 million or less.

Note: Beginning in 1985, the budget reflects establishment of a military retirement trust fund. Entries in parentheses show amounts for 1983 and 1984 on a comparable basis.

Table 30.--BUDGET AUTHORITY BY AGENCY
(in billions of dollars)

Department or Other Unit	Actual 1983	April Estimate						Mid-Session Estimate					
		1984	1985	1986	1987	1988	1989	1984	1985	1986	1987	1988	1989
Legislative Branch.....	1.7	1.8	1.7	1.8	1.8	1.8	1.8	1.8	1.7	1.7	1.7	1.8	1.8
The Judiciary.....	0.8	0.9	1.0	1.1	1.1	1.2	1.3	0.9	1.0	1.1	1.1	1.2	1.3
Executive Office of the President.....	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Funds Appropriated to the President.....	3.3	16.7	13.0	13.5	13.3	13.2	13.1	17.4	13.7	13.5	13.4	13.2	13.1
Agriculture.....	56.4	28.3	35.4	38.1	36.2	36.8	36.8	28.7	35.9	36.3	37.1	38.9	40.2
Commerce.....	1.9	2.0	1.6	1.6	1.7	1.9	2.0	2.0	1.6	1.6	1.7	1.9	2.0
Defense - Military:													
Including accruals...	(238.7)	(258.1)	305.0	349.6	379.2	411.5	446.1	(258.2)	291.1	324.8	362.6	411.5	446.1
Excluding accruals...	239.5	258.2	---	---	---	---	---	258.3	---	---	---	---	---
Defense - Civil:													
Including military retirees.....	(19.6)	(19.2)	29.9	33.4	36.8	40.3	43.4	(19.2)	30.2	34.2	38.1	42.0	45.5
Excluding military retirees.....	3.4	2.7	---	---	---	---	---	2.7	---	---	---	---	---
Education.....	15.4	15.4	15.6	15.6	15.5	15.5	15.5	15.4	16.5	16.1	16.1	15.9	15.7
Energy.....	9.3	9.6	10.3	11.8	12.2	12.4	12.8	9.7	9.8	11.3	11.7	12.3	12.6
Health and Human Services.....	280.2	297.1	325.4	356.1	388.0	436.2	477.3	298.9	328.5	359.0	391.0	439.8	479.6
Housing and Urban Development.....	16.0	14.1	10.7	12.9	16.6	14.0	14.3	14.1	12.2	13.1	16.4	11.5	13.4
Interior.....	5.0	4.7	4.4	4.4	4.4	4.4	4.4	4.7	4.4	4.4	4.4	4.4	4.4
Justice.....	3.0	3.4	3.7	3.7	3.7	3.8	3.8	3.4	3.7	3.8	3.8	3.8	3.8
Labor.....	36.4	34.5	27.2	27.9	30.3	30.8	30.6	34.6	26.4	28.1	29.5	28.6	28.7
State.....	2.8	2.9	3.4	3.3	3.4	3.5	3.5	3.0	3.5	3.3	3.4	3.5	3.5
Transportation.....	26.3	28.8	28.6	29.3	29.1	28.8	28.7	28.8	28.6	29.3	29.1	28.9	28.7
Treasury.....	117.1	139.5	157.5	170.0	180.0	183.4	184.0	137.7	159.5	190.0	207.0	216.1	209.9
Environmental Protection Agency.....	3.7	4.0	4.2	4.0	4.0	3.9	3.9	4.0	4.3	4.0	4.0	3.9	3.9
General Services Administration.....	0.7	0.3	0.3	0.4	0.4	0.4	0.4	0.3	0.3	0.4	0.4	0.4	0.4
NASA.....	6.9	7.2	7.5	7.9	8.3	8.8	9.2	7.2	7.5	7.9	8.3	8.8	9.2
Office of Personnel Management.....	35.7	37.8	41.3	46.1	49.6	52.9	55.9	37.9	41.5	46.6	50.0	53.7	57.1
Small Business Administration.....	1.0	0.6	0.6	0.6	0.6	0.5	0.4	0.6	0.6	0.6	0.6	0.5	0.4
Veterans Administration	25.3	26.1	27.1	28.2	29.4	30.3	31.2	26.4	27.1	28.3	29.2	30.2	31.0
Other Agencies.....	10.7	14.9	16.5	16.1	15.2	14.9	13.8	13.9	16.6	16.4	15.6	15.3	14.0
Allowances.....	---	---	1.0	4.2	6.4	8.6	11.0	---	1.0	3.3	4.6	7.2	9.6
Undistributed offsetting receipts:													
Interest received by trust funds.....	-17.1	-19.8	-23.7	-27.9	-32.4	-36.7	-41.6	-20.2	-25.5	-31.9	-38.7	-45.1	-51.1
Interest received by Outer Continental Shelf escrow account	---	-0.1	-0.4	-1.4	-0.9	---	---	*-	-0.4	-1.4	-0.9	---	---

Table 30.--BUDGET AUTHORITY BY AGENCY (continued)
(in billions of dollars)

Department or Other Unit	Actual 1983	April Estimate						Mid-Session Estimate					
		1984	1985	1986	1987	1988	1989	1984	1985	1986	1987	1988	1989
Employer share, employee retirement: Including accrual offset.....	(-23.5)	(-25.3)	-27.8	-31.5	-34.1	-37.0	-39.6	(-25.3)	-27.6	-31.2	-33.8	-36.6	-39.3
Excluding accrual offset.....	-8.1	-8.8	---	---	---	---	---	-8.8	---	---	---	---	---
Rents and royalties on the Outer Continental Shelf...	-10.5	-7.7	-6.6	-9.6	-9.0	-8.0	-8.6	-7.5	-6.0	-9.8	-8.1	-7.6	-8.5
Total undistributed offsetting receipts: Including accrual offset.....	(-51.1)	(-52.9)	-58.6	-70.5	-76.4	-81.6	-89.8	(-53.0)	-59.7	-74.4	-81.5	-89.3	-98.9
Excluding accrual offset.....	-35.7	-36.4	---	---	---	---	---	-36.5	---	---	---	---	---
Total on-budget budget authority....	866.7	915.2	1,014.5	1,111.4	1,190.8	1,278.3	1,355.4	916.1	1,006.9	1,105.2	1,199.4	1,305.8	1,377.5
ADDENDUM: Off-budget budget authority.....	21.2	-27.8	24.8	12.6	10.3	10.3	8.4	24.6	23.3	12.6	10.3	10.2	8.0
Total budget authority.....	887.9	943.0	1,039.3	1,124.0	1,201.1	1,288.6	1,363.8	940.7	1,030.3	1,117.8	1,209.7	1,316.0	1,385.5

* \$50 million or less.

Note: Beginning in 1985, the budget reflects establishment of a military retirement trust fund. Entries in parentheses show amounts for 1983 and 1984 on a comparable basis.

Table 31.--RUDGET OUTLAYS BY FUNCTION
(in billions of dollars)

	Actual 1983	April Estimate						Mid-Session Estimate					
		1984	1985	1986	1987	1988	1989	1984	1985	1986	1987	1988	1989
National defense:													
Including accruals...	(209.9)	(237.6)	272.0	310.6	348.6	379.7	409.1	(233.6)	266.2	294.6	330.4	368.7	404.1
Excluding accruals...	210.5	237.6	---	---	---	---	---	233.6	---	---	---	---	---
International affairs...	9.0	13.1	17.6	17.9	18.8	18.8	18.3	12.6	17.2	18.1	19.2	19.0	18.7
General science, space and technology.....	7.7	8.2	8.7	9.4	9.8	10.4	10.8	8.2	8.7	9.4	9.8	10.4	10.8
Energy.....	4.0	2.6	2.8	2.9	2.6	2.6	2.7	2.4	2.8	3.0	2.7	2.8	2.5
Natural resources and environment.....	12.7	12.4	11.5	10.7	10.3	10.2	10.2	12.2	11.6	10.9	10.4	10.3	10.3
Agriculture.....	22.2	9.6	16.5	15.5	14.0	11.5	11.0	10.2	15.1	15.0	14.4	14.1	14.7
Commerce and housing credit.....	4.4	3.1	0.6	0.1	0.8	-0.1	-1.0	4.6	0.3	0.6	0.5	-0.3	-1.6
Transportation.....	21.4	25.9	27.0	28.4	29.0	28.9	28.8	25.1	26.9	28.2	28.9	28.9	28.9
Community and regional development.....	6.9	7.5	7.7	7.2	6.9	6.7	6.5	7.3	7.7	7.6	7.2	6.9	6.7
Education, training, employment, and social services.....	26.6	28.4	28.0	27.8	27.6	27.7	27.8	28.2	29.4	28.3	28.2	28.2	28.0
Health.....	28.7	30.5	32.7	34.5	37.1	39.8	42.6	30.6	33.8	35.4	37.9	40.7	43.7
Social security and medicare:													
Social security 1/...	170.7	179.1	190.2	202.9	217.3	231.9	246.7	178.8	189.3	202.3	216.7	231.0	245.5
Medicare.....	52.6	60.5	69.5	76.7	85.2	94.7	105.2	59.1	68.7	75.0	83.8	94.4	106.2
Total social security and medicare.....	223.3	239.6	259.6	279.6	302.5	326.6	352.0	237.8	258.1	277.3	300.4	325.5	351.7
Income security:													
Including military retirees.....	(122.2)	(111.6)	112.7	116.1	121.1	126.3	129.7	(111.7)	110.3	115.2	120.7	127.2	132.0
Excluding military retirees.....	106.2	95.1	---	---	---	---	---	95.2	---	---	---	---	---
Veterans benefits and services.....	24.8	26.0	26.6	27.7	28.8	30.1	30.8	25.9	26.7	27.5	28.5	29.9	30.7
Administration of justice.....	5.1	5.9	6.1	6.0	6.1	6.3	6.4	5.9	6.2	6.1	6.2	6.3	6.4
General government.....	4.8	5.4	5.7	5.7	5.7	5.9	5.8	5.3	5.6	5.6	5.6	5.8	5.8
General purpose fiscal assistance.....	6.5	6.7	6.6	6.8	6.9	7.1	7.2	6.7	6.5	6.5	6.7	6.8	6.9
Net interest.....	89.8	109.5	123.0	129.8	135.7	135.3	130.6	109.4	130.2	145.9	156.3	159.6	147.1
Allowances.....	---	---	0.9	4.0	6.3	8.5	10.9	---	1.0	3.2	4.6	7.1	9.5

Table 31.--BUDGET OUTLAYS BY FUNCTION (continued)
(in billions of dollars)

	Actual		April Estimate						Mid-Session Estimate					
	1983	1984	1985	1986	1987	1988	1989	1984	1985	1986	1987	1988	1989	
Undistributed														
offsetting receipts:														
Employer share,														
employee retirement:														
Including accrual														
offset.....	(-23.5)	(-25.3)	-27.8	-31.5	-34.1	-37.0	-39.6	(-25.3)	-27.8	-31.2	-33.8	-36.6	-39.3	
Excluding accrual														
offset.....	-8.1	-8.8	---	---	---	---	---	-8.8	---	---	---	---	---	
Rents and royalties														
on the Outer														
Continental Shelf...	-10.5	-7.7	-6.6	-9.6	-9.0	-8.0	-8.6	-7.5	-6.0	-9.8	-8.1	-7.6	-8.5	
Total undistributed														
offsetting receipts:														
Including accrual														
offset.....	(-34.0)	(-33.0)	-34.4	-41.2	-43.2	-44.9	-48.2	(-32.8)	-33.8	-41.1	-41.9	-44.3	-47.7	
Excluding accrual														
offset.....	-18.6	-16.5	---	---	---	---	---	-16.2	---	---	---	---	---	
Total on-budget														
outlays.....	796.0	850.5	932.0	999.5	1,075.4	1,137.3	1,191.9	845.0	930.6	997.3	1,076.6	1,153.4	1,209.1	
ADDENDUM:														
Off-budget outlays...	12.4	15.2	14.8	8.8	7.4	7.8	5.0	13.0	13.3	8.7	7.3	7.6	4.7	
Total outlays.....	808.3	865.7	946.9	1,008.3	1,082.8	1,145.1	1,196.9	858.0	943.9	1,006.0	1,084.0	1,161.0	1,213.8	

Note: Beginning in 1985, the budget reflects establishment of a military retirement trust fund. Entries in parentheses show amounts for 1983 and 1984 on a comparable basis.

1/ These estimates do not reflect the costs of (1) the disability legislation pending in Congress at the time reestimates were prepared nor (2) the moratorium on processing periodic reviews of disability, which was announced earlier this year.

Table 32.--BUDGET AUTHORITY BY FUNCTION
(in billions of dollars)

	Actual 1983	April Estimate						Mid-Session Estimate					
		1984	1985	1986	1987	1988	1989	1984	1985	1986	1987	1988	1989
National defense:													
Including accruals...	(245.0)	(265.3)	313.4	359.0	389.1	421.6	456.4	(265.4)	298.9	333.7	372.0	421.6	456.4
Excluding accruals...	245.8	265.3	---	---	---	---	---	265.5	---	---	---	---	---
International affairs...	7.2	22.5	22.1	22.3	22.4	22.4	21.5	22.3	22.1	22.4	22.6	22.6	21.6
General science, space and technology.....	8.0	8.6	9.1	9.5	10.0	10.5	11.0	8.6	9.0	9.5	10.0	10.5	11.0
Energy.....	4.1	3.0	2.7	3.1	2.8	2.8	2.9	1.0	-4.2	3.2	2.9	2.7	2.8
Natural resources and environment.....	13.3	11.6	10.9	10.7	10.5	10.6	10.5	11.7	11.1	10.8	10.6	10.6	10.6
Agriculture.....	31.0	4.2	12.1	14.0	11.4	11.5	10.7	4.2	12.1	12.4	12.0	13.0	13.5
Commerce and housing credit.....	5.3	5.6	5.2	5.2	6.6	6.6	6.8	5.5	5.0	5.1	5.3	5.4	5.5
Transportation.....	27.0	29.6	29.5	30.2	30.0	29.8	29.6	29.7	29.4	30.2	30.0	29.8	29.6
Community and regional development.....	8.7	7.2	6.4	6.7	6.6	6.7	6.7	7.2	6.5	6.7	6.7	6.7	6.8
Education, training, employment, and social services.....	28.2	31.2	27.7	27.8	27.9	27.9	28.1	31.4	28.6	28.4	28.4	28.3	28.3
Health.....	25.0	31.6	31.4	34.6	37.1	39.8	42.7	31.6	32.6	35.7	38.0	40.8	43.8
Social security and medicare:													
Social security.....	184.1	177.4	199.2	209.8	232.9	273.9	304.2	178.5	199.0	207.6	235.1	271.8	299.3
Medicare.....	46.4	63.1	70.4	86.9	92.6	95.9	104.1	63.4	71.7	90.1	91.5	99.4	108.9
Total social security and medicare.....	230.5	240.5	269.7	296.7	325.5	369.8	408.3	241.9	270.7	297.7	326.6	371.2	408.2
Income security:													
Including military retirees.....	(134.9)	(133.2)	139.3	151.6	163.4	169.3	175.8	(134.2)	142.1	154.5	167.3	170.5	179.8
Excluding military retirees.....	118.7	116.6	---	---	---	---	---	117.7	---	---	---	---	---
Veterans benefits and services.....	25.4	26.2	27.2	28.3	29.4	30.4	31.2	26.5	27.1	28.4	29.2	30.2	31.1
Administration of justice.....	5.4	6.0	6.1	6.2	6.3	6.4	6.5	6.1	6.1	6.3	6.3	6.5	6.5
General government.....	5.5	5.5	5.8	5.9	5.9	6.0	6.1	5.5	5.7	5.8	5.8	6.0	6.1
General purpose fiscal assistance.....	6.4	6.7	6.6	6.8	6.9	7.1	7.2	6.7	6.5	6.5	6.7	6.8	6.9
Net interest.....	89.8	109.5	123.0	129.8	135.7	135.3	130.6	109.4	130.2	145.9	156.3	159.6	147.1
Allowances.....	---	---	1.0	4.2	6.4	8.6	11.0	---	1.0	3.3	4.6	7.2	9.6

Table 32.--BUDGET AUTHORITY BY FUNCTION (continued)
(in billions of dollars)

	Actual 1983	April Estimate						Mid-Session Estimate					
		1984	1985	1986	1987	1988	1989	1984	1985	1986	1987	1988	1989
Undistributed													
offsetting receipts:													
Employer share,													
employee retirement:													
Including accrual													
offset.....	(-23.5)	(-25.3)	-27.8	-31.5	-34.1	-37.0	-39.6	(-25.3)	-27.8	-31.2	-33.8	-36.6	-39.3
Excluding accrual													
offset.....	-8.1	-8.8	---	---	---	---	---	-8.8	---	---	---	---	---
Rents and royalties													
on the Outer													
Continental Shelf...	-10.5	-7.7	-6.6	-9.6	-9.0	-8.0	-8.6	-7.5	-6.0	-9.8	-8.1	-7.6	-8.5
Total undistributed													
offsetting receipts:													
Including accrual													
offset.....	(-34.0)	(-33.0)	-34.4	-41.2	-43.2	-44.9	-48.2	(-32.8)	-33.8	-41.1	-41.9	-44.3	-47.7
Excluding accrual													
offset.....	-18.6	-16.5	---	---	---	---	---	-16.2	---	---	---	---	---
Total on-budget													
budget authority..	866.7	915.2	1,014.5	1,111.4	1,190.8	1,278.3	1,355.4	916.1	1,006.9	1,105.2	1,199.4	1,305.8	1,377.5
ADDENDUM:													
Off-budget budget													
authority.....	21.2	27.8	24.8	12.6	10.3	10.3	8.4	24.6	23.3	12.6	10.3	10.2	8.0
Total budget													
authority.....	887.9	943.0	1,039.3	1,124.0	1,201.1	1,288.6	1,363.8	940.7	1,030.3	1,117.8	1,209.7	1,316.0	1,385.5

Note: Beginning in 1985, the budget reflects establishment of a military retirement trust fund. Entries in parentheses show amounts for 1983 and 1984 on a comparable basis.

Table 33.--CURRENT SERVICES RECEIPTS BY MAJOR SOURCE
(in billions of dollars)

	1983 Actual	Mid-Session Estimate					
		1984	1985	1986	1987	1988	1989
Individual income taxes.....	288.9	299.5	339.8	373.0	407.7	452.4	493.1
Corporation income taxes.....	37.0	59.0	74.3	87.9	102.7	111.6	117.0
Social insurance taxes and contributions.....	209.0	241.2	269.8	292.6	313.9	349.7	376.9
Excise taxes.....	35.3	37.2	38.9	36.1	36.8	35.4	34.7
Estate and gift taxes.....	6.1	6.1	5.7	5.4	5.0	4.8	4.8
Customs duties.....	8.7	11.2	12.0	12.6	13.1	13.6	14.2
Miscellaneous receipts.....	15.6	16.6	17.6	18.4	18.5	18.3	18.1
Total current services receipts...	600.6	670.7	758.0	826.1	897.7	985.8	1,058.7

Table 34.--Current Services Outlays by Agency
(in billions of dollars)

	Actual 1983	Mid-Session Estimate				
		1984	1985	1986	1987	1988
Legislative Branch.....	1.4	1.7	1.7	1.7	1.7	1.8
The Judiciary.....	0.8	0.9	1.0	1.1	1.1	1.2
Executive Office of the President....	0.1	0.1	0.1	0.1	0.1	0.1
Funds Appropriated to the President..	5.5	7.7	8.4	8.6	9.1	9.5
Agriculture.....	46.4	34.7	39.7	41.0	41.4	42.2
Commerce.....	1.9	2.0	2.2	2.3	2.2	2.4
Defense--Military.....	205.0	227.0	258.6	286.2	321.5	358.8
Defense--Civil.....	2.9	3.1	18.7	21.1	22.3	23.7
Education.....	14.6	15.8	17.3	17.4	17.7	18.0
Energy.....	8.4	8.3	8.9	9.5	9.3	9.2
Health and Human Services.....	276.6	294.3	318.8	340.8	367.5	397.2
Housing and Urban Development.....	15.3	15.8	15.0	14.9	15.7	16.6
Interior.....	4.6	4.7	4.7	4.7	4.7	4.8
Justice.....	2.8	3.3	3.5	3.5	3.5	3.6
Labor.....	38.1	24.8	22.5	22.3	23.2	24.3
State.....	2.3	2.5	2.5	2.6	2.7	2.8
Transportation.....	20.6	24.3	26.2	27.4	28.4	28.6
Treasury.....	116.4	139.4	166.7	191.1	208.9	218.6
Environmental Protection Agency.....	4.3	4.1	4.0	3.9	3.9	4.0
General Services Administration.....	0.2	0.4	0.4	0.3	0.3	0.4
NASA.....	6.7	7.1	7.1	6.8	6.2	5.9
Office of Personnel Management.....	21.3	22.6	23.8	25.6	27.6	29.5
Small Business Administration.....	0.5	0.3	0.6	0.7	0.7	0.8
Veterans Administration.....	24.8	25.8	26.6	27.1	27.9	29.0
Other Agencies.....	10.3	10.5	9.9	10.1	10.3	9.2
Allowances.....	---	---	0.5	2.1	3.5	6.0
Undistributed offsetting receipts:						
Interest received by trust funds...	-17.1	-20.2	-25.5	-31.5	-37.6	-43.3
Interest received by Outer Continental Shelf escrow account.....	---	0*	-0.4	-1.4	-0.9	---
Employer share, employee retirement.....	-8.1	-8.8	-27.2	-29.9	-32.4	-35.1
Rents and royalties on the Outer Continental Shelf.....	-10.5	-7.5	-6.0	-9.8	-8.1	-7.6
Total undistributed offsetting receipts.....	-35.7	-36.5	-59.0	-72.6	-79.0	-86.0
Total on-budget outlays.....	796.0	844.8	930.4	1,000.3	1,082.5	1,161.8
ADDENDUM:						
Off-budget outlays.....	12.4	13.0	17.7	16.6	16.0	17.5
Total outlays.....	808.3	857.8	948.1	1,016.9	1,098.5	1,179.3

Table 35.--Current Services Budget Authority by Agency
(in billions of dollars)

	Actual 1983	Mid-Session Estimate				
		1984	1985	1986	1987	1988
Legislative Branch.....	1.7	1.8	1.7	1.7	1.7	1.8
The Judiciary.....	0.8	0.9	1.0	1.1	1.1	1.3
Executive Office of the President....	0.1	0.1	0.1	0.1	0.1	0.1
Funds Appropriated to the President..	3.3	16.5	8.5	9.1	9.5	10.6
Agriculture.....	56.4	28.3	36.5	38.2	39.0	41.2
Commerce.....	1.9	2.0	2.1	2.2	2.3	2.4
Defense--Military.....	239.5	258.3	291.1	324.8	367.6	411.5
Defense--Civil.....	3.4	2.7	30.4	34.3	38.1	42.0
Education.....	15.4	15.3	17.6	18.0	18.3	18.6
Energy.....	9.3	9.5	9.4	9.9	9.6	9.7
Health and Human Services.....	280.2	298.9	329.1	359.2	390.8	439.4
Housing and Urban Development.....	16.0	14.1	14.1	17.4	18.3	19.1
Interior.....	5.0	4.7	4.8	4.8	4.9	5.0
Justice.....	3.0	3.4	3.5	3.5	3.6	3.6
Labor.....	36.4	34.7	26.7	28.5	30.0	29.1
State.....	2.8	2.9	3.0	3.1	3.2	3.3
Transportation.....	26.3	28.8	28.2	29.3	29.7	29.8
Treasury.....	117.1	137.7	167.0	191.3	208.9	218.3
Environmental Protection Agency.....	3.7	3.9	4.1	4.3	4.4	4.6
General Services Administration.....	0.7	0.3	0.3	0.4	0.4	0.4
NASA.....	6.9	7.2	7.2	6.8	6.2	5.9
Office of Personnel Management.....	35.7	37.9	40.1	43.6	47.0	50.5
Small Business Administration.....	1.0	0.6	0.7	0.7	0.8	0.8
Veterans Administration.....	25.3	26.4	27.0	27.7	28.5	29.5
Other Agencies.....	10.7	13.9	17.3	17.3	16.7	16.4
Allowances.....	---	---	0.5	2.2	3.5	6.1
Undistributed offsetting receipts:						
Interest received by trust funds...	-17.1	-20.2	-25.5	-31.5	-37.6	-43.3
Interest received by Outer Continental Shelf escrow account.....	---	---	-0.4	-1.4	-0.9	---
Employer share, employee retirement.....	-8.1	-8.8	-27.2	-29.9	-32.4	-35.1
Rents and royalties on the Outer Continental Shelf.....	-10.5	-7.5	-6.0	-9.8	-8.1	-7.6
Total undistributed offsetting receipts.....	-35.7	-36.5	-59.0	-72.6	-79.0	-86.0
Total on-budget budget authority.....	866.7	914.5	1,012.9	1,106.9	1,200.3	1,314.2
ADDENDUM:						
Off-budget budget authority....	21.2	24.6	26.8	18.5	18.8	18.9
Total budget authority.....	887.9	939.1	1,039.7	1,125.4	1,218.2	1,333.1
						1,402.1

Table 36.--CURRENT SERVICES OUTLAYS BY FUNCTION
(in billions of dollars)

	1983	Mid-Session Estimate					
	Actual	1984	1985	1986	1987	1988	1989
National defense.....	210.5	233.6	265.5	293.4	328.5	365.8	400.9
International affairs.....	9.0	12.5	13.6	13.6	14.6	14.8	14.6
General science, space, and technology.....	7.7	8.2	8.4	8.1	7.6	7.4	7.4
Energy.....	4.0	2.4	2.9	3.2	3.1	3.2	3.0
Natural resources and environment...	12.7	12.2	12.0	11.5	11.3	11.3	11.3
Agriculture.....	22.2	10.1	15.3	15.3	14.7	14.4	15.1
Commerce and housing credit.....	4.4	4.7	0.6	1.1	1.2	0.7	-0.3
Transportation.....	21.4	25.1	27.1	28.2	29.3	29.5	29.6
Community and regional development..	6.9	7.3	7.8	7.7	7.6	7.5	7.6
Education, training, employment and social services.....	26.6	28.2	30.3	30.8	31.6	32.4	33.1
Health.....	28.7	30.6	34.3	36.2	39.1	42.2	45.6
Social security and medicare:							
Social security 1/.....	170.7	178.8	189.5	202.4	216.8	231.2	245.7
Medicare.....	52.6	59.1	68.7	75.0	83.8	94.4	106.2
Total social security and medicare.....	223.3	237.8	258.1	277.5	300.6	325.7	351.9
Income security.....	106.2	95.2	111.0	117.3	123.3	130.3	135.7
Veterans benefits and services.....	24.8	25.9	26.6	27.1	27.9	29.2	29.8
Administration of Justice.....	5.1	5.9	6.2	6.3	6.4	6.5	6.6
General government.....	4.8	5.3	5.6	5.6	5.7	6.0	5.8
General purpose fiscal assistance...	6.5	6.7	6.7	6.8	7.0	7.2	7.3
Net interest.....	89.8	109.4	130.9	147.9	160.0	164.7	153.1
Allowances.....	---	---	0.5	2.1	3.5	6.0	8.3
Undistributed offsetting receipts:							
Employer share, employee retirement.....	-8.1	-8.8	-27.2	-29.9	-32.4	-35.1	-37.7
Rents and royalties on the Outer Continental Shelf.....	-10.5	-7.5	-6.0	-9.8	-8.1	-7.6	-8.5
Total undistributed offsetting receipts.....	-18.6	-16.2	-33.1	-39.7	-40.5	-42.7	-46.1
Total on-budget outlays.....	796.0	844.8	930.4	1,000.3	1,082.5	1,161.6	1,220.4

1/ These estimates do not reflect the cost of the moratorium on processing periodic reviews of disability, which was announced earlier this year.

Table 37.--CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION
(in billions of dollars)

	1983	Mid-Session Estimate					
	Actual	1984	1985	1986	1987	1988	1989
National defense.....	245.8	265.3	298.5	332.2	369.8	418.7	453.4
International affairs.....	7.2	21.2	16.9	17.4	18.0	18.5	18.0
General science, space, and technology.....	8.0	8.6	8.6	8.2	7.7	7.4	7.5
Energy.....	4.1	1.0	3.0	3.4	3.2	3.1	3.2
Natural resources and environment...	13.3	11.5	12.0	11.9	12.0	12.1	12.3
Agriculture.....	31.0	4.1	12.3	12.7	12.3	13.4	13.9
Commerce and housing credit.....	5.3	5.5	5.5	5.8	6.1	6.4	6.7
Transportation.....	27.0	29.6	29.0	30.1	30.5	30.7	30.8
Community and regional development..	8.7	7.2	6.9	7.3	7.5	7.8	8.1
Education, training, employment and social services.....	28.2	31.4	30.9	31.7	32.5	33.2	33.9
Health.....	25.0	31.6	33.1	36.4	39.4	42.6	46.0
Social security and medicare:							
Social security.....	184.1	178.5	198.2	207.3	231.8	269.0	295.8
Medicare.....	46.4	63.4	71.5	88.6	92.1	98.8	108.1
Total social security and medicare.....	230.5	241.9	269.7	295.9	323.9	367.8	403.9
Income security.....	118.7	117.7	142.8	156.8	166.5	175.0	182.6
Veterans benefits and services.....	25.4	26.5	27.1	27.7	28.6	29.6	30.4
Administration of justice.....	5.4	6.0	6.2	6.4	6.5	6.6	6.8
General government.....	5.5	5.5	5.6	5.8	5.8	6.0	6.1
General purpose fiscal assistance...	6.4	6.7	6.7	6.8	7.0	7.2	7.3
Net interest.....	89.8	109.4	130.9	147.9	160.0	164.7	153.1
Allowances.....	---	---	0.5	2.2	3.5	6.1	8.4
Undistributed offsetting receipts:							
Employer share, employee retirement.....	-8.1	-8.8	-27.2	-29.9	-32.4	-35.1	-37.7
Rents and royalties on the Outer Continental Shelf.....	-10.5	-7.5	-6.0	-9.8	-8.1	-7.6	-8.5
Total undistributed offsetting receipts.....	-18.6	-16.2	-33.1	-39.7	-40.5	-42.7	-46.1
Total on-budget budget authority.....	866.7	914.5	1,012.9	1,106.9	1,200.3	1,314.2	1,386.3

Table 38.--THE CREDIT BUDGET TOTALS
(in billions of dollars)

	Actual 1983	April Estimate						Mid-Session Estimate					
		1984	1985	1986	1987	1988	1989	1984	1985	1986	1987	1988	1989
New direct loan obligations.....	41.4	37.8	34.3	34.4	32.9	32.5	32.0	38.0	34.7	34.4	33.9	34.1	34.8
New guaranteed loan commitments ^{1/}	<u>97.2</u>	<u>98.3</u>	<u>99.9</u>	<u>96.9</u>	<u>99.7</u>	<u>103.1</u>	<u>103.6</u>	<u>80.1</u>	<u>93.7</u>	<u>92.7</u>	<u>97.7</u>	<u>99.9</u>	<u>100.9</u>
Total.....	138.6	136.1	134.2	131.3	132.6	135.6	135.7	118.1	128.4	127.1	131.6	134.0	135.8

^{1/} To avoid double counting, excludes commitments for guarantees of loans previously guaranteed and for guarantees by one Government account of direct loans made by another Government account.

Table 39.--NEW DIRECT LOAN OBLIGATIONS BY AGENCY
(in billions of dollars)

	Actual 1983	April Estimate						Mid-Session Estimate					
		1984	1985	1986	1987	1988	1989	1984	1985	1986	1987	1988	1989
Funds Appropriated													
to the President...	2.5	2.6	6.3	6.5	6.6	6.7	6.8	2.6	6.3	6.5	6.6	6.7	6.8
FFB direct loans..	3.9	4.4	---	---	---	---	---	4.4	---	---	---	---	---
Agriculture 1/.....	22.7	16.5	16.8	16.7	15.1	14.7	14.1	16.6	15.9	16.1	15.6	15.6	16.3
FFB direct loans..	3.4	3.4	1.3	1.3	1.3	1.3	1.3	1.1	1.3	1.3	1.3	1.3	1.3
Commerce.....	*	*	---	---	---	---	---	*	*	*	*	*	*
Education.....	0.7	0.9	0.8	0.8	0.8	0.8	0.7	1.0	0.8	0.9	0.9	0.9	0.9
Energy.....	*	*	*	*	*	*	*	0.1	*	---	---	---	---
FFB direct loans..	0.1	---	---	---	---	---	---	---	---	---	---	---	---
Health and Human													
Services.....	*	*	*	*	*	*	*	*	*	*	*	*	*
Housing and Urban													
Development.....	2.9	2.8	2.4	2.5	2.6	2.7	2.8	2.9	2.5	2.3	2.3	2.5	2.5
FFB direct loans..	0.1	0.2	---	---	---	---	---	0.1	0.2	---	---	---	---
Interior.....	0.1	0.1	0.1	*	*	*	*	0.1	0.1	*	*	*	*
Labor.....	*	*	*	*	*	*	*	*	*	*	*	*	*
State.....	*	*	*	*	*	*	*	*	*	*	*	*	*
Transportation.....	.4	1.1	0.1	0.1	0.1	0.1	0.1	1.2	0.1	0.1	0.1	0.1	0.1
FFB direct loans..	*	*	---	---	---	---	---	*	---	---	---	---	---
Environmental													
Protection Agency..	*	---	---	---	---	---	---	---	---	---	---	---	---
National Aeronautics													
and Space Admin:													
FFB direct loans..	0.2	0.1	---	---	---	---	---	0.1	---	---	---	---	---
Small Business													
Administration.....	1.0	1.2	1.0	1.0	1.0	0.9	0.8	1.3	1.1	1.2	1.1	1.0	0.9
FFB direct loans..	0.4	0.6	0.5	0.5	0.5	0.5	0.5	0.6	0.5	0.5	0.5	0.5	0.5
Veterans													
Administration.....	1.2	1.4	0.5	0.4	0.5	0.4	0.4	1.5	1.3	1.1	1.0	1.0	0.9
Independent agencies:													
District of													
Columbia.....	0.3	0.1	---	---	---	---	---	0.1	---	---	---	---	---
Export-Import													
Bank.....	0.8	2.0	3.8	3.8	3.8	3.8	3.8	1.3	3.8	3.8	3.8	3.8	3.8
Federal Deposit													
Insurance													
Corporation.....	---	---	---	---	---	---	---	2.4	---	---	---	---	---
Federal Home Loan													
Bank Board.....	*	*	*	*	*	*	*	*	*	*	*	*	*
National Credit													
Union Admin.....	0.2	0.3	0.5	0.5	0.5	0.4	0.4	0.3	0.5	0.5	0.5	0.4	0.4
Tennessee Valley													
Authority.....	*	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
FFB direct													
loans.....	<u>0.2</u>	<u>0.2</u>	<u>0.1</u>	<u>0.1</u>	<u>*</u>	<u>*</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>*</u>	<u>*</u>	<u>*</u>
Total.....	41.4	37.8	34.3	34.4	32.9	32.5	32.0	38.0	34.7	34.4	33.9	34.1	34.8

* \$50 million or less.

1/ Mid-Session estimates include Rural Electrification Administration (REA) off-budget direct loans as follows: \$1.3 billion in 1984 and 1985, and \$0.8 billion in 1986-1989. Agriculture FFB direct loans reflect REA activity exclusively.

NOTE: Loans guaranteed by Federal agencies and disbursed by the Federal Financing Bank (FFB) are identified.

Table 40.--NEW GUARANTEED LOAN COMMITMENTS BY AGENCY
(in billions of dollars)

	Actual 1983	April Estimate						Mid-Session Estimate					
		1984	1985	1986	1987	1988	1989	1984	1985	1986	1987	1988	1989
Funds Appropriated to the President.....	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.2	0.3	0.3	0.3	0.3	0.3
Agriculture.....	4.8	5.3	4.3	3.2	3.2	3.2	3.2	5.3	5.2	3.2	3.2	3.2	3.2
Commerce.....	*	0.1	---	---	---	---	---	0.1	---	---	---	---	---
Education.....	7.3	7.7	7.9	8.4	8.8	9.4	9.9	7.4	7.7	8.0	8.4	8.9	9.5
Energy.....	*	---	0.1	*	*	---	---	*	0.1	*	---	---	---
Health and Human Services.....	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Housing and Urban Development.....	123.1	121.5	124.1	125.4	128.4	131.2	130.8	107.9	116.2	117.6	120.3	121.3	121.6
Interior.....	*	*	---	---	---	---	---	*	---	---	---	---	---
Transportation.....	0.3	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Small Business Administration.....	2.6	3.3	3.3	2.0	0.9	0.6	0.6	3.3	3.3	2.0	0.9	0.6	0.6
Veterans Administration.....	14.7	13.4	15.0	15.1	15.5	15.9	16.3	15.8	16.8	19.2	22.0	23.0	23.2
Independent agencies:													
Export-Import Bank..	8.5	10.0	10.0	10.0	10.0	10.0	10.0	7.1	10.0	10.0	10.0	10.0	10.0
National Credit Union Admin.....	*	*	*	*	*	*	*	*	*	*	*	*	*
Synthetic Fuels Corporation ^{1/}	---	4.1	2.4	---	---	---	---	0.3	1.8	---	---	---	---
Subtotal, guaranteed loans (gross).....	161.9	166.6	168.1	165.2	168.0	171.3	171.9	148.4	162.0	160.9	166.0	168.2	169.2
Less:													
Secondary guaranteed loans.....	-64.2	-68.2	-68.2	-68.2	-68.2	-68.2	-68.2	-68.2	-68.2	-68.2	-68.2	-68.2	-68.2
Guaranteed loans held as direct loans by GNMMA.....	-0.5	---	---	---	---	---	---	---	---	---	---	---	---
Total.....	97.2	98.3	99.9	96.9	99.7	103.1	103.6	80.1	93.7	92.7	97.7	99.9	100.9

* \$50 million or less.

^{1/} The Synthetic Fuels Corporation is an off-budget Federal entity.

NOTE: Loans guaranteed by Federal agencies and disbursed by the Federal Financing Bank are excluded from these totals and included in Table 16.

Table 41.--BUDGET FINANCING AND DEBT OUTSTANDING
(in billions of dollars)

	1983 Actual	1984 Estimate		1985 Estimate	
		April	Mid-Session	April	Mid-Session
Budget Financing					
Budget surplus or deficit (-).....	-195.4	-177.8	-174.3	-179.0	-166.9
Deficit (-), off-budget Federal entities.....	-12.4	-15.2	-13.0	-14.8	-13.3
Total deficit (-).....	-207.8	-193.0	-187.3	-193.8	-180.2
Means of financing other than borrowing from the public:					
Decrease or increase (-) in cash and other monetary assets.....	-9.7	17.1	17.1	---	---
Increase or decrease (-) in liabilities for:					
Checks outstanding, etc.....	2.5	-0.9	8.4	1.1	1.4
Deposit fund balances.....	2.1	0.3	0.3	0.1	0.2
Seigniorage on coins.....	0.5	0.5	0.5	0.6	0.6
Total, means of financing other than borrowing from the public.....	-4.6	17.0	26.3	1.8	2.2
Total, requirements for borrowing from the public.....	-212.3	-176.0	-161.0	-192.0	-178.0
Change in debt held by the public.....	212.3	176.0	161.0	192.0	178.0
Debt, End of Year					
Gross Federal debt:					
Debt issued by Treasury.....	1,377.2	1,583.4	1,571.2	1,823.5	1,802.6
Debt issued by other agencies.....	4.7	4.5	4.5	4.3	4.3
Total, gross Federal debt.....	1,381.9	1,587.8	1,575.6	1,827.8	1,806.9
Held by:					
Government agencies.....	240.1	270.1	272.9	318.1	326.1
The public.....	1,141.8	1,317.8	1,302.8	1,509.8	1,480.8
Debt Subject to Limit, End of Year					
Debt issued by Treasury.....	1,377.2	1,583.4	1,571.2	1,823.5	1,802.6
Treasury debt not subject to limit.....	-0.6	-0.6	-0.6	-0.6	-0.6
Agency debt subject to limit.....	1.3	1.3	1.3	1.2	1.2
Total, debt subject to limit ^{1/}	1,378.0	1,584.0	1,571.8	1,824.1	1,803.2

^{1/} The statutory debt limit is \$1,573 billion (Public Law 98-342).

